Vol. IV

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1936

No. 539

THE OHIO BELL TELEPHONE COMPANY,
APPELLANT,

vs.

THE PUBLIC UTILITIES COMMISSION OF OHIO

APPEAL FROM THE SUPREME COURT OF THE STATE OF OHIO

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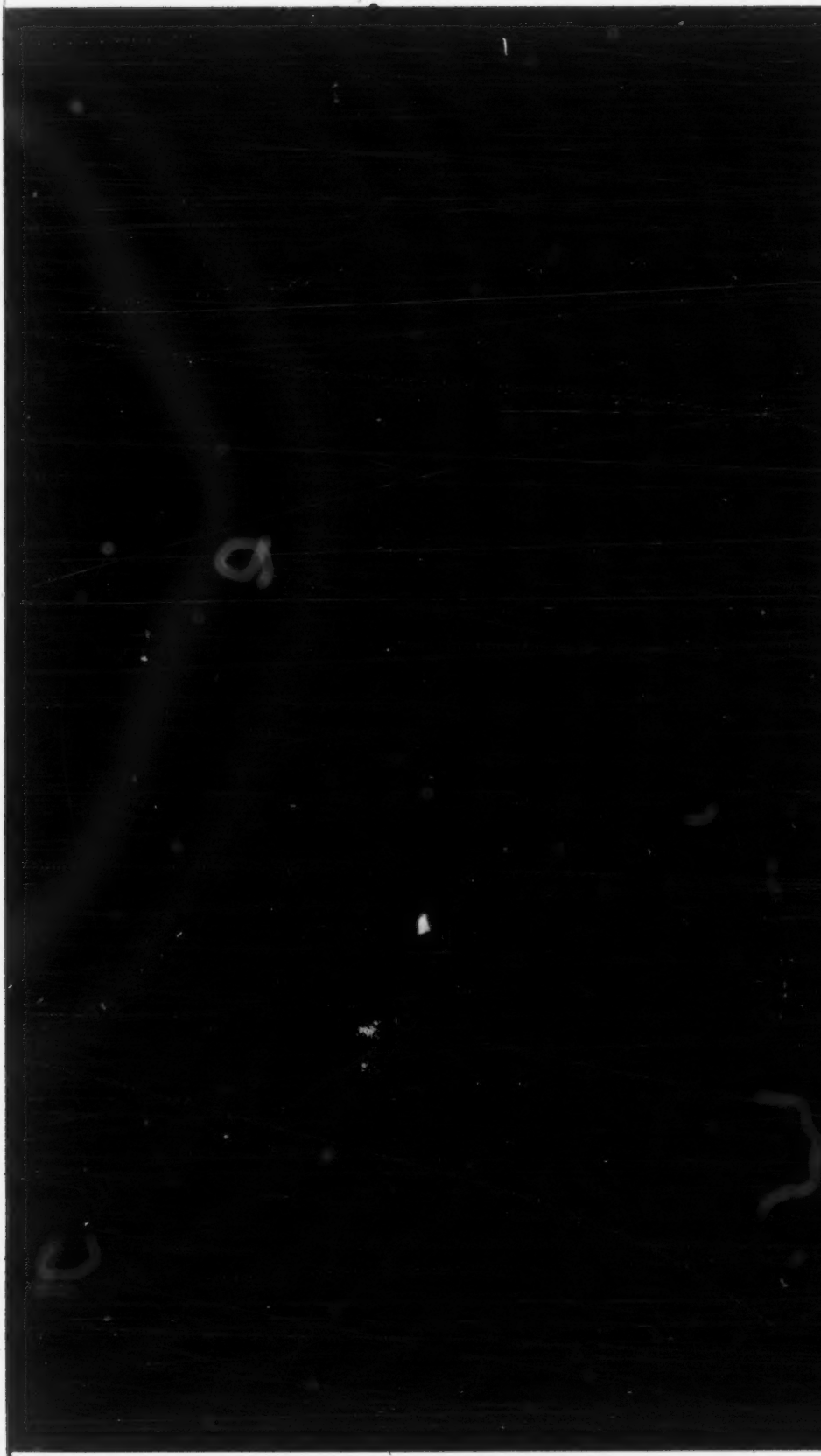

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Q. Yes, and the preferred stock——

A. 5 per cent.

Q. 5 per cent.

A. And the bonds 61 per cent.

Q. That doesn't quite square with your stock set-up for the Ohio Bell Company, does it?

A. No, it doesn't, for the reason I ascribed this morning, that the American Railroad Industry has been in an embarrassing financial situation owing to the inability of the regulatory authorities to give prompt recognition to the railroad needs as the State Commissions have done to public utilities. Whether they are right or wrong in that is not for me to say. The matter is now before the United States Supreme Court.

Q. Yes. And haven't the railroads been somewhat embarrassed by the fact they have had 60 per cent of their capital structure represented by bonds, and therefore their preferred stocks have not been attractive to the public?

A. No, not the 15 companies that I cite here. The railroads which have been embarrassed by large bond indebtedness or whose capitalization has been limited and expansion limited in recent years, are not included in this list.

Q. Well, in any event the railroads included in the list do not have anything like 22½ per cent of preferred stock, do they?

A. No, they didn't.

Q. No; nor did the gas companies shown in the next bunch.

A. No; the division between preferred and common is not that which I suggest.

Q. No.

A. But the difference between stocks and bonds checks [fol. 3737] very closely with what I suggest, and that is the essence of my testimony on this subject.

Q. Yes. But as I said before, doesn't the relative adjustment as between the common and preferred stocks make a difference in your calculation of the fair return for the Ohio Bell Company in this case?

A. It does.

Q. Yes. Now, at page 44 of your Exhibit you show the common stock of the Bell system companies there named to be 52.4 of the total capitalization of those companies.

That is based, as I understand it, upon conditions existing as of December 31st, 1925?

A. Yes, sir.

Q. Yes; and there you show, and that 52.4 per cent is as against the 22½ per cent which you advocate for the Ohio Bell Company?

A. Yes. But if you will look at the history of those companies and see the large number that have an entirely different capital structure, you will see that the conclusion which you draw from the averages is not supported. There are some of the Bell companies in there that have adopted a capital structure more favorable to the reduction of cost of money than I have suggested.

Q. What, in your judgment, is the lowest percentage of common stock which could be safely used in a correct capital structure of such a company as the Ohio Bell?

A. I wouldn't put it below 22½ per cent.

Q. I see.

A. Individual companies at individual times—sometimes markets will compel the use of one class of securities to the exclusion of another; but as a general rule I think 22½ per cent is a fair minimum figure. If it were increased [fol. 3738] it would involve a change in the percentage of preferred stock.

Q. Isn't it true that of the total capital structure of a public utility the smaller the issue of common stock the more difficult it is to dispose of it?

A. There are many factors that would have to be considered before that could be answered either yes or no. Where the issue of common stock is low, it is generally held by a holding company which continues to take the further issues of common stock. Ordinarily a very small amount of common stock is extremely sensitive to rises and sudden drops with the slight changes in business conditions and makes it unattractive to an individual holder; and there is also too narrow a margin to give it a fair market.

Q. Yes.

A. But it is difficult to draw general conclusions from such a state of facts.

Q. Yes. Isn't it also true that generally speaking, the smaller the issue of common stock the higher the rate of return it must have in order to make it salable, due to the fact that any loss to the company falls more heavily upon

the common stockholder in proportion to the smallness of the issue of common stock?

A. That is true; you make it more speculative, and that is why under those circumstances the common stock is held by a holding company in which its contract relations protects itself in other respects due to the control of the subsidiaries.

Q. In other words, a loss would fall three times as heavy on common stock equal to 17 per cent of the total capital [fol. 3739] stock as on the common capital stock equal to 51 per cent?

A. It would fall much more heavily; but where the common stock is in the hands of a holding company such as the American Telegraph and Telephone Company, that hazard is one for academic discussion rather than a practical one.

Q. The stockholder realizes the loss, though, whoever he or it may be?

A. He realizes that loss, but he also has the prompt recuperative powers which the control of the financing provides, and for that reason it is not regarded a practical obstacle in holding company financing, but is not to be recommended where the stock is widely distributed.

Q. Have you ever, in your testimony, in a utility rate case, advocated 22½ per cent as a correct capital structure except in cases where you have been testifying against one of the Bell system companies?

A. I don't recall any. If you will refresh my memory, I will refer to them. I don't know that the question has ever arisen except in the case of the Bell Companies, and there I think my testimony has been quite consistent. I don't know of any industry where the utility service is as completely dominated by a holding company here, or such a relation, as the 4 per cent contract; and I must treat them in their entirety and treat them all consistently.

Q. Are you willing to say that 22 per cent for common stock is correct in principle, for public utilities generally, with respect to their capital structure?

A. My mind is open on that; unless you will also embody in your question the extent to which holding company op- [fol. 3740] eration is present in the individual company, to what extent it is present in other allied industries which makes a unity in the field in question.

Q. Well, you don't care to commit yourself to a general question?

A. No, I am not able to do that without having further facts set up in your hypothetical case.

Q. Going back to the table of bonds shown on page 44 of your Exhibit, and averaging 26.9 of the total capitalization of the Bell companies there shown, tell the Commission whether in your judgment the bonds of the Ohio Bell Company, if floated according to your plan to the extent of 55 per cent of the total capital value, would be as attractive to the investor as the bonds referred to in your table on page 44?

A. I will have to answer that "No" in the way in which you ask it. I then call your attention to the details of the table on page 44, because the conclusion you draw is absolutely uncalled for. There are contained in that table, quite a number of Bell subsidiaries which have no bond issues whatever, and consequently that tends to reduce the proportion of bonds. The Chesapeake & Potomac Telephone Company of Baltimore City has no bonds at all; and that fact is also true of the Chesapeake & Potomac Telephone Company of West Virginia; the Cincinnati and Suburban Bell Telephone Company; the Mountain States Telephone and Telegraph Company and the Northwestern Bell Telephone Company. Obviously, from a statistical standpoint, you can't compute an average for these companies when a number of companies included in the average do not have any bond issue whatever. If you will confine your question [fol. 3741] to the number of Bell utilities which do have a bond indebtedness or which have changed their capital structure within the last five years, it would be much easier for me to answer the question, and my answer would be more consistent with what I have already testified.

Q. But there is only one company in the whole list which hasn't either bonds or advances from system corporations, is there; that is the Cincinnati and Suburban Bell Telephone Company?

A. Yes. You see some of these companies are going through such very rapid growth that the inter-company relation has substituted large advances in lieu of bond indebtedness, and they really should be considered bonds, because it is one large field group; it is stretching somewhat, the legality of the situation to treat the companies

as separate companies; practically they are not. Now, if you will combine the bonds and the advances of the system company for which that parent company is collecting a large interest and the bonds carry in the open market, instead of 26.9 per cent you immediately have nearly 40 per cent.

Q. 39, isn't it?

A. Yes. But it is over 39, so it isn't so far from 40.

Q. Yes; but that isn't quite 55 per cent, though, is it?

A. No; but the tendency is strongly in that direction, and where the companies have changed their capital structures in recent years they have indicated a leaning toward what I am suggesting here.

Q. There isn't any 22 per cent preferred stock in them, either?

A. No; but the amount sold by public utilities through [fol. 3742] spreading stock interest is going very strongly in the direction of 22 per cent; in fact some companies have passed it.

Q. In the Bell system?

A. Not yet. They have never had the difficulty of financing themselves which the independent companies have. Had those independent companies, not in the telephone utilities, had the benefit of a 4½ per cent contract with such a powerful parent organization they would not have been compelled to resort to the extremes which the growth of business and service demands made necessary following 1918.

Q. Yes. What is the fair value of the property of the Chesapeake & Ohio Railway Company and the other companies shown at page 35 and 36 of your Exhibit?

A. Their values have not been determined and cannot be until the United States Court settles the Los Angeles case, and because of that uncertainty in the investment market, their securities do not demand a price which good sized public utilities of like earning power do.

Q. By the way, let me ask you this. At page 33 of your Exhibit, you say the gross cost of capital raised by bond issues of the Ohio Bell Telephone Company in the investment market which has obtained during the last few years may reasonably be placed at 5.35 per cent. Did you not intend to say the bond issues of the Bell system?

A. No; I think the Ohio Bell Telephone Company could accomplish that financing.

Q. No, but you speak of it as capital raised by bond [fol. 3743] issues of the Ohio Bell. As a matter of fact that company has no bond.

A. No. I am dealing with the hypothetical situation of financing itself under a properly balanced financial structure in 1925 and 1926.

Q. Yes, but here is what you say: "Cost of capital raised in the past—I interpolate those words "in the past"—but raised by bond issues of the Ohio Bell Telephone Company in the investment market which has obtained during the last few years may reasonably be placed at 5.35 per cent. Now, I didn't think that could be the Ohio Bell Company because it hasn't raised any money.

A. Well, I didn't say that it had. I said the cost of capital can reasonably be placed. I am dealing with a hypothetical situation. If, in fact, you have sold no bonds, I am not testifying that you did. I am dealing with a certain capital structure, and I say that the Ohio Bell Telephone Company under public regulation in 1925, with its value recognized, with a four and a half per cent contract approved and all the inter-company relations for which the local company is being charged and the benefits which it is reaping, could sell its bonds on a basis of 5.35 net to the company.

Q. Well, I won't quarrel with you about it, but I didn't understand what you meant by saying that the gross cost of capital raised by bond issues of the Ohio Bell Company in the investment market which has obtained during the last few years, may reasonably be placed at 5.35 per cent, when, as a matter of fact, the Ohio Bell Company hasn't raised any capital by bond issues in the market during the last five [fol. 3744] years or any other time.

A. Well, aren't you stressing possibly a matter of tense which is taken from the rest of the subject matter; isn't it perfectly clear in reading the entire chapter that what I am dealing with is the cost of money to a company of the credit position of the Ohio Bell Telephone Company under the conditions then obtaining?

Q. Very well. That figure then of 5.35 per cent is arrived at as shown on page 33 by considering the senior financing by other Bell telephone subsidiaries from 1922 to 1926, whereby $175,000,000 of bonds were sold to yield to the investor an average return of 5.06 per cent; that is true, isn't it?

A. Yes. The facts are stated on page 33.

Q. Yes. And to that you added approximately one third of one per cent to cover the cost of financing?

A. Yes. I added that on the testimony of Mr. Crundon, your witness.

Q. Yes. Now, I also understood you to say that those rates reflected the results of practical financing accomplished under existing conditions?

A. Yes, referring to the date of the Exhibit, however, in talking about existing conditions.

Q. Yes; that is what I wanted to find out.

A. There can be no question that was the price at which those bonds were sold, and the yield to the investor; and there can be no question that some cost of financing is necessary over and above the yield to the investor. Now, if we take the market price of securities under conditions similar to those which apply for this investigation in 1925 [fol. 3745] and add the factor which Mr. Crundon has returned, then I am giving the expression of the market as to the cost of money for first mortgage indebtedness under American Telephone and Telegraph supervision, because I assume that the Ohio Company will be entitled to the same supervision and assistance in financing which the parent company has given to the Bell companies operating in Pennsylvania and Illinois, and in the New England States.

Q. Yes, precisely.

A. If the money market had been higher, my conclusion would have been higher, because I am taking two results and treating them arithmetically.

Q. Exactly. Now, going back for the moment to the matter of railroad bonds. Isn't it true that if a railroad company borrowed money before the war at 4 per cent, and the telephone company borrowed the money after the war at 5.35 per cent on bonds, the same interest money would carry about 30 per cent more of railroad bonds than of telephone bonds?

A. That is true. At the time the railroads were issuing 4 per cent bonds we had extremely low money conditions, and the public utilities, as now known, were not in existence.

Q. Yes.

A. Their development has been confined largely to the last 20 years.

Q. Now, with reference to your objection to Mr. Crundon's Exhibit in that it shows securities of a wholly differ-

ent character and under conditions different from those which apply at this time to the company under investigation; you were present when Mr. Crundon testified, were you not?

A. Yes.

[fol. 3746] Q. And you heard him say, didn't you, to the Commission "This Exhibt includes all of the issues handled in the United States during the period where those issues amounted to over a half a million dollars, and this information has been taken from the Commercial and Financial Chronical of New York and from the notices in the Wall Street Journal and other New York newspapers where official announcement of the issues are ordinarily printed."

A. Yes, he stated substantially that, as I recall.

Q. And didn't he also say this: "I have included all of the items in order that there might be no conscious selection *of* any salting of the list"; do you remember that?

A. I am not criticizing Mr. Crundon's exhibit on the grounds that it is a hand picked exhibit. It is not. I merely criticize the exhibit because he argues that an average determined from unrelated securities and of a wholly different character is an indication of what is a proper cost of money for this precise company, when his own testimony shows they are so widely different.

Q. Yes. Now, when you speak of this precise company; have you ever advocated a rate of return as low as 7 per cent for any company other than a Bell system company?

A. I have no definite instance in mind, but a vague recollection that I have testified to a 7 per cent rate of return and a 7½ per cent rate of return in the case of some gas and water companies.

Q. Are you positive of that?

A. Yes, I have testified to that effect; but I have testified [fol. 3747] quite consistently within recent years, that is the last two years, to a 7 per cent rate of return for the Bell Companies.

Q. But I am not asking you that. We know you have. I am asking you whether in recent years you have advocated a rate of return as low as 7 per cent for any utility other than one of the Bell system companies.

A. Well, as long as there is some doubt in my mind and I can't mention a specific company, subject to that uncertainty in my mind then let me say for the purpose of your further question that I cannot. Then your next question

may be one which I could probably reply that in each instance the cost of money was determined on the basis of the securities which those companies were putting out at the time that case was being heard, and when the money market conditions were dealt with as they then existed. I have testified to 8 per cent and to 9 per cent rate of return, and in one case before the Illinois Commission I stated that that company had recently paid 11 per cent for its money, but I couldn't recommend anything like that for a rate of return. To do so would be making the service prohibitive and defeat its very purpose. There is a limit to which that can be carried.

Q. Have you not, at about the same times and in about the same periods, advocated a 7 per cent return for telephone companies and a higher rate of return for some other kind of a utility?

A. I probably have. Will you refresh my memory with a specific case that you have in mind and I can explain the circumstances.

Q. Well, I have no particular ones in mind, but I have [fol. 3748] the general impression that that is what you have done. That is why I asked the question.

A. Yes, I have. I can name a number of cases where I have suggested an 8 per cent rate of return, and where the companies standing absolutely alone, financing themselves without any strong backing from the biggest banking interests, without anything like the A. D. & T. supervising, without any 4½ per cent contract, and with their financing actually costing them more money, the same study that in the case of a large Bell subsidiary leads to a 7 per cent return generally leads to a substantially higher necessary return to encourage financing in the case of independent utilities of other classes. In fact that higher cost of money is one of the reasons where the holding company movement is sweeping over the United States. It is a movement which economic conditions are compelling. The telephone interests were one of the first to see that and are reaping the benefits there. The margin between a 7 per cent rate of return and the cost of money under the different classes of securities which you sell is as favorable as the margin of saving between the 8 per cent rate of return and the cost of money of an average company that is not favored by such intercompany or contractual relations as the Ohio Bell.

Q. That has been the usual distinction with you, has it, between Bell system companies on the one hand and public utilities generally on the other, about 1 per cent in the matter of a fair return?

A. No, I have testified to rates of return of 7½ per cent. I haven't a case at my fingers' ends; probably you have [fol. 3749] them there. If you would mention them I think I can explain the apparent inconsistencies and the conditions which cover them. I am sure that I am quite consistent in the handling of this subject.

Q. Now, as reflecting on your claim of the remoteness of Mr. Crundon's Exhibit to the issues involved, you call attention to 175 million odd dollars of issues which you say are unrelated to the subject under discussion?

A. That is true; they are unrelated.

Q. Yes. And you add this: "Practically all of these are issues of public utilities in Germany, with a few large issues placed by public utilities located in Japan and Italy." Now, isn't it true, though, Mr. Hagenah, that these same securities which you criticize were offered in the American markets at the time stated by Mr. Crundon?

A. That is true; they created a competitive influence.

Q. Right. And isn't it also true that the high yield offered to the investor by those securities added to the competition in the market for the then available investment funds?

A. It certainly did.

Q. Yes.

A. And yet in the face of those conditions the American Telephone & Telegraph Company sold its subsidiary issues at one of the lowest points in the history of the industry, because there are thousands of people in the United States who do not like to send their money into foreign countries, and they seek the safest kind of investments, and they turned to the telephone securities; and I gave you a number of them and you referred to them in your question where [fol. 3750] the average found was 5.06 per cent. Some people are willing to send their money into a foreign country provided they are compensated for their hazard. Now, that hazard is not present in like measure in telephone securities; why should that hazard reflect the cost of money to the utilities when it is not present in their selling price?

Q. Well, you heard Mr. Crundon differentiate these high yield securities from the Bell system bonds, didn't you?

A. Yes, he did; but nevertheless his conclusion was based on the consideration of them and they were submitted for that purpose.

Q. And didn't he say, just as you have said, that those bonds do not have as desirable an investment for an American?

A. That is right; and I have treated them consistently. We are in agreement on that, only he took an average of unrelated securities as indicating the cost of money to this company.

Q. Yes; but didn't he take the whole offering of utilities securities?

A. Yes, he did.

Q. That is all of them——

A. And therein lies the vice of it; that is what I am criticizing. Let me ask; did the Bell Telephone Company sell its securities on the average of all these security prices including the sale of foreign public utility issues?

Q. No, but——

A. No, indeed, it didn't. It didn't discount its securities 10 or 15 per cent. because German and Japanese securities were selling at a heavy discount here.

Q. Well now, let me make a speech. It is true that the [fol. 3751] Bell system didn't sell its bonds in the way you have described, but didn't it sell them in competition in part with these securities which Mr. Crundon has listed?

A. It did; and the extent to which that competition was present and the full effect of it is reflected in the market price of the Bell financing from 1924, '25 and '26, which gave a net cost of 5.06 per cent.; and I have given effect to the extent to which it is actually present; not by averaging unrelated securities, but the average of the securities of this identical industry.

Mr. McConnaughey: Can you give that in terms of per cent.?

The Witness: No. It is probably as much as——

By Mr. Burr:

Q. At Page 48 of your Exhibit you show certain earnings, interest, dividends and other figures for certain of the associated Bell companies. Do I understand that those

earnings reflect the earnings today of all of the companies shown in that list, or rather, isn't it true that many of those companies have experienced increased earnings since this tabulation was prepared?

A. The data on page 48 is taken from the company's annual report for the year ending December 31st, 1925, and there have been some increases in rates since that time aside from the increasing in earnings from growth of business.

Q. Yes. So that the surplus figures for those companies at the present time probably are not the same as shown in your Exhibit nor do they have the same basis of comparison, do they?

A. That is right. I think the surplus figure is now larger, [fol. 3752] and there have been some increases in dividends also. There have been quite a number of increases.

Mr. Burr: Yes. I think that is all, now. Mr. Morse may take the stand for a short cross-examination.

Mr. McConnaughey: I would like to ask Mr. Hagenah a few questions. I don't care particularly about doing it right now.

Mr. Burr: I understood Mr. Morse wanted to get away to go to some other state.

Mr. McConnaughey: My questions will not take very long.

Mr. Burr: Go ahead.

Redirect examination.

By Mr. McConnaughey:

Q. Mr. Hagenah, in reference to the item of the amortization of landed capital which appears on page 22 of Hagenah Exhibit 1 and in Morse Exhibit No. 7 and I think in Hagenah Exhibit No. 6, I wish you would state for the record what that item consists of; that is how it is built up, what amounts are credited to it and what charges are made against it?

A. This is in the nature of a separate and distinct depreciation charge covering retirement of right-of-way. The company is from time to time, changing the location of lines and taking down overhead lines for placing the property under ground. Rights-of-way which have been acquired for the property as previously used, are then made unnecessary and are retired. The company might, with equal propriety,

[fol. 3753] include this in its depreciation reserve covering the physical property, but the classification calls for separate treatment. This amount of from 55,000 to $60,000 a year is a credit to the reserve for such retirements, and charged against the operations for the year.

Q. Yes. Will you explain in like manner the item of amortization for debt discount which appears in the same exhibits?

A. The amortization of debt discount is of a different character. When securities are sold at a discount, that discount is generally absorbed and wiped out over the life of the indebtedness. The cost of the discount and the debt expenses are a compliment of the interest payment; in other words if the coupon rate were higher the discount would be lower, and if the coupon rate were lower the discount in like proportion would be greater. Since the cost of the money raised under a bond issue must be paid out of the allowance for fair return, it is necessary that both the coupon interest payment and the allied charges for discount and debt expense, must be handled through the same account.

Q. With reference to your cross-examination concerning depreciation, reference was made to certain accounts which represented short lifed property. I wish you would state which of the accounts you had in mind in your testimony with reference to that subject.

A. Central office equipment and station apparatus.

Q. Does that also include station installation?

A. Yes; station installation cost is related to the apparatus.

Q. Now, in reference to that kind of property——

[fol. 3754] By Mr. Burr:

Q. Don't you mean station equipment?

A. Sub-station apparatus is short life property.

Q. What about P. B. X., station equipment?

A. Well, I treated that the same as central office equipment. I am glad you mention that. It has the same characteristics.

By Mr. McConnaughey:

Q. Now, in reference to that short lifed property, in your cross-examination some reference was made to the recon-

ditioning of that class of property and its reuse in the system. State what the practice of the company is, if you know with reference to the charge that is made for that property when it is put back into the system after its rehabilitation?

A. When equipment is retired for any reason, often for inadequacy or rearrangement of a station or central office, the units are taken back to the warehouse or shop or to the manufacturer for overhauling and reconditioning. This material is credited to plant at its estimated net value. There is charged against it, the cost of its overhauling, reconditioning and improvement, and it is then put back into service at the cost of the property as determined from the price of retirement plus the overhauling and reconditioning expense plus the warehousing for housing it pending re-installation. The practice is a proper one.

Q. Then what is the effect of that practice upon the amount of second hand or reused property in the system of the Ohio Bell Company?

A. It has a tendency to secure the maximum possible use of the equipment before it is ultimately retired from service. [fol. 3755] Q. And each time that operation is conducted there is a charge to the depreciation reserve where the property is retired, and when it is put back a charge to capital?

A. It is treated just as it would be if new equipment were going, but the amount of the charges and credits are based on the facts in each case, and they are as carefully ascertained as is possible.

Q. What is the practice of the company with reference to making credits to the depreciation reserve?

A. Property retired is credited—is charged to the depreciation reserve; credited back.

Q. I mean in making credits to the depreciation reserve, how is that done?

A. All property retired is taken out of the plant account and charged to depreciation reserve set up for that purpose.

Q. But how is the depreciation reserve credited; what amounts are credited to it?

A. The reserve is credited by charges against operating expenses made from month to month on a basis calculated to cover the requirements of the business. The statute says to maintain the integrity of the investment. It is impos-

sible, in setting up the charge, to estimate exactly what the replacement requirement will be, consequently there is never an exact balance between the charges for depreciation and the credits. As the property grows and because of the presence of certain long life property, there is a tendency for the credit balance to grow from year to year, and that is an insurance and protection against the existing depreciation in the property which cannot be taken care of [fol. 3756] by replacements without sacrificing some remaining value.

Q. I got the impression from an answer that you made to a question on cross-examination, that the answer meant, whether you so intended or not, I now want to ask you, that the monthly credit to the depreciation reserve was so figured as to balance the charges of depreciation for that month. That is not correct?

A. That is not correct. It is impossible.

Q. You stated that the balance of the depreciation reserve which is used in the construction of new plant, found its way temporarily into the plant account. What is the final disposition of those amounts, or just what do you mean by saying it finds its way temporarily into the plant account?

A. The credit balance of the depreciation reserve is invested in new plant. That is proper and good business, which leaves the company, however, without liquid funds for replacement purposes should this become large at any particular time. When such replacements are necessary, the company will then issue bonds or stock to fund the plant additions which it may finance temporarily through borrowing from the depreciation reserve, and with the proceeds of such security it reimburses depreciation reserve and makes liquid funds for replacement purposes.

Q. Is that the accounting practice of the company?

A. Yes, sir.

Q. What in the relations between the Ohio Bell Telephone Company and the American Telegraph and Telephone [fol. 3757] Company affect its borrowing power besides the license contract if anything?

A. The general inter-corporate relationship which is present through not only the 4½ per cent. contract but the Western Electric Company, and the general credit of the American Telephone and Telegraph Company, which

does extend financial assistance to the local company through advances which are very substantial, as shown on my Exhibit 7. These advances are in periods of money stringency made at a lower rate than the company could borrow it in the open market. The entire relationship is regarded most favorably in the investment market, and is a very favorable and creditable association in the utility industry.

Q. What is the condition of the money market with reference to the cost of money at this time as compared to the situation at the time of the preparation of your Exhibit which I believe is related to a date in 1925?

A. It is at least—the date mentioned is correct. The money market today is substantially of the same character and as favorable for utility financing as it was in the summer of 1925. The fluctuations which have taken place in interest rates in the last year or two, have been largely those of a seasonal nature brought about by expanding agricultural demands for funds in the autumn, and the demand from expanding business and building operations which is customary in the spring of each year. We ordinarily find a period of low money in the latter part of January and February, with a somewhat rising tendency through March and April, which seems to reach its high point in May and June; then the declining tendency through [fol. 3758] August when the spring and summer arrangements have been made, and a rising tendency in September and October to meet the fall crop movement, and railroad activities. That is about the only fluctuation that has been present for the last year and a half; and the banking situation today indicates that there are no strings on the immediate horizon.

Mr. McConnaughey: That is all.

[fol. 3759] And also R. K. Morse, recalled for purposes of cross-examination, continued his testimony as follows:

Cross-examined by Mr. Burr:

Mr. Burr: Mr. Morse's cross-examination will be short, due to the fact that we have developed by Mr. Hagenah's cross-examination a good many of the matters concerning which Mr. Morse might have been been interrogated.

Q. I would like to ask you a few questions, however, Mr. Morse. The first one is this. Did you develop the 17 per cent. for plant supervision used by Mr. Dorsey in his unit costs?

A. I did not.

Commissioner Maullar: Let's straighten that out right now.

Mr. Dorsey: I stated that Mr. Morse had compiled the information from the company records which the 17 per cent. was derived from.

Q. Well, you did that then, did you, Mr. Morse?

A. I went over the books and compiled the figures actually used by the company.

Q. What figures did you compile and what was their source?

A. I compiled an average statement of the supervision expense clearing of the company for the three years, 1923, '24 and '25, the average for those three years, from the supervision clearing expense reports and from the books of the company.

[fol. 3760] Q. And did you yourself arrive at the 17 per cent. or did Mr. Dorsey?

A. I had nothing to do with that myself.

Q. Well, what figures did you furnish to Mr. Dorsey from which he arrived at the 17 per cent.?

A. I furnished Mr. Dorsey with the figures actually used by the company to clear the supervision expense accounts during the three years 1923, '4 and '5 and the average for those years. How he combined them, I don't know. The figures that I supplied him with were the average yearly figures actually used by the company as taken from their reports.

Q. Did you also furnish Mr. Dorsey with the construction labor records of the company for those years?

A. Also as shown by those same clearing report-, and on which the company based its distribution of overhead expense.

Q. Did the figures which you furnished Mr. Dorsey for plant supervision include plant supervision account 706-01?

A. The figures I furnished Mr. Dorsey included both 706-01 and 02.

Q. Were the plant supervision figures which you furnished to Mr. Dorsey for construction labor only or for total labor, including repairs, renewals and construction?

A. I made up an analysis of the company's records which showed a separate rate for construction labor and depreciation labor and maintenance labor.

Q. Are all expenses and salaries for supervisory employees exclusive of job foremen charged to account 706, plant supervision?

A. I can't say.

[fol. 3761] Q. With respect to Hagenah Exhibit Number 1 in which you have undertaken to approximate the so-called estimated original cost of the property of the Ohio Bell Company up to December 31st, 1925, it is true, is it not, that all of the property acquired by the present Ohio Bell Telephone Company was acquired on or subsequent to September 21st, 1921, the date of the consolidation between the old Ohio Bell and the Ohio State Companies?

A. You say all the property acquired by the Ohio Bell?

Q. By the present company?

A. Well, since 1921, they have purchased a number of companies, and also have constructed and made a lot of additions.

Q. Let me ask you again. Isn't it true that all of the property acquired by the present Ohio Bell Telephone Company and which it had at December 31st, 1925, was acquired on or subsequent to September 21st, 1921?

A. By the present company, yes.

Q. Yes. That is the starting point for the present company, isn't it?

A. That is the starting point for the present company.

Q. So that your estimated original cost of the property doesn't show the actual original cost of the property to the present company, does it?

A. No.

Q. And the actual original or book cost of the property of the Ohio Bell Company either as of December 31st, 1925, or as of December 31st, 1926, can be arrived at only by starting with the actual cost to it of the property acquired through the consolidation of September 21st, 1921, plus the [fol. 3762] actual cost to it of property acquired subsequent to that date?

A. The book value of the property can only be obtained that way, yes.

Q. Right. So that your figure of $107,704,005.35 shown on Hagenah Exhibit 1, Page 11 is the actual book cost to the present Ohio Bell Company of its property as of December 31st, 1925, isn't it?

A. That is correct; that is the book cost.

Q. Yes. And the figure of $120,738,616.98 shows that book cost as of December 31st, 1926?

A. That is correct.

Q. That appears in the last line of your Exhibit Number 11?

A. Yes.

Q. Now, starting with the actual cost to the present Ohio Bell Company of the property acquired by it on September 21, 1921, and taking into consideration the property subsequently acquired by it up to December 31st, 1925, you have made only one deduction adjustment of the actual original cost to that company, to wit, the small item of $40,617.23; isn't that true?

A. That is all, yes; but there are some other adjustments in connection with the Springfield, Xenia Telephone Company which also affected the property furnished since——

Q. That was not a deduction adjustment, was it?

A. That was not a deduction, no.

Q. Yes; and all the other so-called adjustments which you have made in order to arrive at your estimated original cost of the property related to matters occurring from the [fol. 3763] year 1914 which was the year of the Ohio State Telephone Company consolidation, back to the dates of the original construction of the properties of the companies constituent to the Ohio State consolidation; isn't that true?

A. No, I think any adjustments that were made in connection with those companies which were purchased by the Ohio State Telephone Company after it was organized in 1914 are also shown in the exhibit; for instance, anything connected with the Akron Peoples Telephone Company and the Citizens Telephone Company of Berea, those adjustments in connection with the Holland Home, Nelsonville, Northern Ohio, those of the electric properties purchased by the Ohio State between the time of its organization and the time it was taken over by the present Ohio Bell Telephone Company.

Q. I am inclined to think you are right about that. But will you give the dates of the adjustments for those companies which you have named?

A. Any adjustments in connection with the Akron Peoples Telephone Company would be dated as of February 28th, 1915.

Q. Dated after that?

A. As of that date.

Q. As of that date, yes.

A. Those dates of the companies taken over by the Ohio State Telephone Company are shown on Page 4 of Exhibit 1. Then there was an adjustment——

Q. Well, then, all of those adjustments apply to matters dated as far back as July 13th, 1918, don't they?

A. In connection with the Ohio State Companies, yes.

Q. Yes.

A. I would like to amend the first statement you made [fol. 3764] that the only deductions of the Ohio Bell Company was forty thousand. There was also that adjustment of the Chesapeake and Potomac Company shown at the top of Page 12, which has also been deducted. That occurs in the books of the Ohio Bell Telephone Company in 1921, December 31st. It is on the top of Page 12 of Exhibit Number 1. With those exceptions, the other adjustments are all prior to the organization of the present company.

Q. Now, the various properties whose estimated original construction costs you undertake to show in Hagenah Exhibit Number 1, were constructed and installed all the way back from the year 1880, the date of the incorporation of the old Cleveland Telephone Company, down to December 31st, 1925, were they not?

A. Well, the companies were organized not as late as 1925. The property was installed by the present company in 1925.

Q. Yes, sir. Well, these adjustments apply to the years from 1925 back to 1880, don't they?

A. In general, yes.

Q. Yes; and your original cost estimates go back in some instances as far as 1880, do they not?

A. I wouldn't say that.

Q. Well, how far back?

A. There is only one company that went back as far as 1880, and we have no record of their accounts prior to 1889.

Q. Well, how far back then would you say they go?

A. I would say they went back as far as the earliest organization of any of these companies listed at the top of [fol. 3765] Page 4; that is the earliest date there is some-

time in 1895. They might go back as far as that if they were made in connection with the organization. Many of these companies, the adjustment was made in connection with the cost of the physical property.

Q. A large part of the property covered by your Exhibit, therefore, was purchased and installed during the period prior to 1914, was it not?

A. Well, in volume, no; because the property installed prior to 1914 was only a very small part of the total book value at the present time.

Q. Well, all of the property comprising the Ohio State Telephone Company at the time of its consolidation was constructed prior to 1914, wasn't it?

A. At the time of its organization, yes; not at the time of its consolidation with the Ohio Bell.

Q. No, I meant the process of consolidation which brought it into being?

A. That was as of July 23d, 1914, and all that property was constructed prior to that time.

Q. Yes; and the property of the Cleveland Telephone Company was constructed all the way along from 1880 down to 1925, wasn't it?

A. Well, the company changed its name in 1921.

Q. I should say 1921?

A. But the book value of the Cleveland Company and the book value of the Ohio State Company as of 1914 was only a small part of the property and plant account of the Ohio Bell Company at the present time.

Q. Well, didn't it exceed 25 per cent of it?

[fol. 3766] A. I can easily tell. The book value of the property of the Ohio State Telephone Company at its organization was $20,692,000.00, and the nearest date to that in the Cleveland Telephone Company was $8,629,000.00, which would make a total of about $29,000,000.00 at that time.

Q. Yes. And can you give a like figure for the property of the C. & P. Company purchased by the Ohio Bell Company?

A. I cannot

Q. You cannot. Well, a considerable portion of that property was installed as early as 1914, wasn't it?

A. That may be true; but the total property taken over in 1921 was only a total of $3,000,000.00.

Q. Well, it is safe to say, isn't it, that at least one-third of the property covered by your exhibit was installed by the constituent companies as far back as 1914?

A. Well, I wouldn't fix a third definitely, but there was a fraction somewhere around that.

Q. Somewhere around that, yes. Now then, approximately a third then of the property was purchased and installed during the pre-War period and necessarily pre-War prices; isn't that true?

A. I should presume so, yes.

Q. So that the original cost of that property doesn't fairly reflect the re-production cost new of it as of December 31st, 1925, does it?

A. I shouldn't think so.

Q. No.

A. I don't think I would have claimed that.

Q. Well, now, as the associate of Mr. Hagenah, you ascertained the revenues and expenses of the company from an inspection of its books, did you not?

A. I did, yes.

Q. The revenues are shown in Hagenah Exhibit Number 1 [fol. 3767] Pages 22 and 26.

A. Yes.

Q. The expenses at Page- 28 and 29?

A. Yes.

Q. Of the same exhibit?

A. Yes, sir.

Q. On Page 28, you show an item of repairs to central office equipment, being the fourth item of maintenance shown on that Page?

A. Yes, sir.

Q. Those repairs are shown in a single figure for the years ending December 31st, 1921, to December 31st, 1925 inclusive, are they not?

A. One item for each period, yes.

Q. And the totals for those repairs are shown for each of the years 1921 to 1925 inclusive in the fourth line of figures on Page 28 of Hagenah Exhibit Number 1; that is correct, isn't it?

A. That is correct, yes, sir.

Mr. Postle: Except that the year 1921 was not a full year.

Q. Yes, except that the year 1921 is not a complete year. Did you take from the books of the company the item of

repairs to central office equipment by exchanges in addition to the total amount of that item for any of the years specified?

A. I don't know whether I did or not. I looked into the analysis of expenses by exchange areas, but I don't recollect whether the central office equipment is classified that way, kept by exchange areas.

Q. How long will it take you to find that out?

A. Well, I haven't got the figures with me if I made the examination, and I don't think that I did.

Q. That is your best recollection, that you did not?

[fol. 3768] A. That is my best recollection, yes.

Q. Did you pass on to Mr. Dorsey all of the information derived by you from the books of the company in respect to the plant supervision expense?

A. Either Mr. Dorsey or Mr. Hagenah.

Q. So that either one or both of them have all the information which you secured from the company's records?

A. Yes.

Q. Yes; so if you are not here to testify tomorrow, concerning that item, they together or one of them singly will have as much information as you have on the subject?

A. Yes.

Q. That is why I am asking you the question?

A. Yes.

Q. Referring again to Hagenah Exhibit Number 1; there has been added to the company's actual revenues, the sum of $161,659.00 representing an adjustment in the annual charges for depreciation derived from your so-called adjustment of the company's book costs; that is for the year 1925 and is true, is it not?

A. Exhibit what was that?

Q. Exhibit 1—or 6—Hagenah Exhibit 6?

A. There has been a similar item added on to my Exhibit Number 16 yesterday, in the same line.

Q. Yes. But that appears, the original adjustment appears in Hagenah Exhibit Number 6, doesn't it?

A. I think that is the number of the exhibit, yes. Yes, that appears on Hagenah Exhibit 6.

Q. And the same kind of an adjustment, although somewhat different in amount, appears in the fifth line from the [fol. 3769] time of the figures shown in Morse Exhibit Number 16?

A. Yes, sir. Number 16 presented yesterday was computed on exactly the same lines as Number 6, so as to bring the figures up to date.

Q. Right. Your adjustment in the book cost amounted to $3,442,062.00 as appears on page 12 of Hagenah Exhibit Number 1?

A. Yes.

Q. If I understand you correctly, this amount represents in your judgment property other than physical property against which the company should not set aside a reserve for accrued depreciation; is that correct?

A. Well, it is correct to this extent, that the company computes its depreciation requirements each month on the average book value of the property, so as I reduced the book value of the property by $3,442,000.00, I also reduced the depreciation requirement by the average percentage on that figure.

Q. Well, what do you think about it?

A. I think if the book value was not there, there shouldn't be any depreciation computed on it.

Q. Well, is it your theory that the depreciation should not be computed upon the book value, but upon some other value?

A. The depreciation should be computed on the correct book value of the property, yes.

Q. On the correct book value of the property?

A. Yes.

Q. Do you call the company's book value of the property the incorrect book value?

A. I call it incorrect to the extent that it includes these [fol. 3770] charges and credits that I have listed on Pages 11 and 12 of Hagenah Exhibit Number 1; the charge——

Q. Isn't intangible capital an item of book value?

A. Yes.

Q. And doesn't this $3,442,062.00 represent intangible capital?

A. It does; but the company doesn't compute depreciation on intangible property.

Q. You are talking about what the company does now?

A. Well, this adjustment is computed by allowing to the adjusted book value, the company's depreciation rate in 1925.

Q. Yes, but hasn't the company applied that rate to the book value as appears on its books, which includes the $3,442,062.00?

A. Yes.

Q. Yes.

A. And I claim that the company's book value should never have included the $3,442,000.00 as the items making up that figure don't represent physical property.

Q. I see. Did you find this amount of $3,442,062.00 stated on the books of the company as an individual item?

A. No.

Q. Is it your claim that the amount is distributed among the various classes of property?

A. It is distributed among various classes of property. The majority of those items are included in the original opening entry of the Ohio State Telephone Company which was carried as a single amount up until 1921 and then distributed on an appraisal basis over all the classified accounts, so that this amount is actually included in the [fol. 3771] classified accounts of the company.

Q. Don't you know that the Ohio Bell Company uses average retirement unit costs for the purpose of retiring its property?

A. I haven't examined their unit books. I understand that is the way they do it.

Q. What are average retirement unit costs if you please?

A. Why, I should imagine that they are units that would approximately equal the book value of the class of property to which they are applied.

Q. Yes. Well, don't you know that is true instead of imagining it?

A. Well, I am not an engineer. I don't know.

Q. Well, that is your best understanding, isn't it?

A. It is my understanding of the method of handling telephone depreciation accounts.

Q. Now then, if that is true, isn't it also true that with each item of physical property retired, there would also be retired, present in the company, a certain amount of other than physical property; that is, by using the average retirement unit costs?

A. If they calculate it as closely as that, I imagine it would be.

Q. It is bound to be, isn't it?

A. If they calculate it as closely as that, yes.

Q. Yes. Well, then, assuming that a certain amount of the other than physical property has been so retired with each item of physical property, and that this has been going on at least since the consolidation of 1921, will you tell the Commission how much of this item of $3,442,062.00 in your [fol. 3772] judgment still remained in the property of the Ohio Bell Company as of June 30th, 1925?

A. That would be hard to state.

Q. Well, certainly, it wasn't all there was it?

A. I should imagine most of it was still there.

Q. Well, why?

A. The retirements had been comparatively small. The property has been growing very rapidly which necessarily means that the retirements are not very large.

Q. Well, what were the retirements in the last six years?

A. I have no way of telling that.

Q. Well, how can you tell then that they were small?

A. Why, I judged they were small because the property was growing very rapidly.

Q. Isn't that just the reason why they would be large?

A. No.

Q. No. Didn't you analyze the charges to the reserve each year?

A. Yes, I analyzed it by classes of accounts.

Q. And didn't last year show retirements in excess of accruals for the reserve?

A. I think during 1926, they did.

Q. Yes.

A. We have an exhibit here showing the charges and credits to the depreciation reserve which would show the amount of property retired. Exhibit Number 5 shows the property charge retired each year during this period from 1921 to '25.

Q. What are the amounts, if you please?

A. During the year 1922, the first full year, there were [fol. 3773] $2,065,394.00. During the year 1923, $3,575,759.09. For the year 1924, $3,731,267.59, and during the year 1925, $4,370,067.89; and there was an exhibit presented yesterday, Number 13, that shows the retirements for the year 1926, at $6,619,186.50.

Q. So it amounts to more than twenty million dollars of retirements in that period, doesn't it?

A. Around twenty million dollars, yes.

Q. And naturally, the property retired would be the older property in the plant rather than the newer kind, wouldn't it?

A. Ordinarily so, yes, sir.

Q. Yes. Now, then, knowing that the retirements have been approximately twenty million dollars and practically all of that is older property, how much in your judgment of this item of $3,442,062.00 still remains in the property of the company as of January 31st, 1926?

A. Oh, I can't state that.

Q. Or December 31st, 1926?

A. I can't state that. I haven't any idea.

Q. Well, have you any reason to believe that a considerable portion of that amount has not been retired subsequent to September, 1921?

A. It hasn't been specifically retired. If it has been included in the retirement units, why some of it has been retired.

Q. Yes.

A. It would be impossible to say without separating each one of the retirement units in the proportion relative to the property and to this amount of deduction, and that would be a task that is practically impossible.

[fol. 3774] Q. Nevertheless, not knowing how much of it had been retired, although knowing that some of it must have been, you nevertheless adjusted or deducted for the entire sum of $3,442,062.00, didn't you?

A. Yes.

Mr. Burr: That is all.

Redirect examination.

By Mr. McConnaughey:

Q. Your final book costs before you made these deductions and adjustments took into account, did they not, all retirements to the depreciation account?

A. Yes; the book value reflects the net property after any retirements have been made.

Q. So that if any of this property had been retired through a depreciation account, it is also reflected in the book account before you make any adjustments; is that correct?

A. Yes.

Q. How is this figure of $161,659.00 showing the depreciation charge arrived at?

A. By applying to the adjusted book value of the property, the same rate that the company used in arriving at its charge in operating expenses for the year 1925. I think they used during the year 1925, 5.4 per cent in the depreciable property, and I adjusted the depreciable property by the items described in this exhibit and applied the same percentage.

Q. And what was the percentage used in 1926?

A. The company changed their form of doing it in 1926, [fol. 3775] and most of the year, they used 5.46; and since September or October, I think, they have computed it at different rates for each class of property, which amounts to practically the same thing.

Q. Mr. Morse, the item of central office repairs on Page 28; what does the item that you have shown in line 4 on Page 28 include?

A. Includes repairs to central office equipment according to classification of the Interstate Commerce Commission; covers repairs of the central office boards and the equipment connected therewith.

Q. Do the figures that you have used include all of the expenses of that character as shown by the books of the company for the entire state?

A. This includes the total expense on the company's books charged to Account 604 which is the repairs of central office equipment for the year 1925.

Q. And as you understand, it does include all the repairs of that kind for each year?

A. That is all the expense of that character incurred during each of the years.

Mr. McConnaughey: That is all.

By Mr. Burr:

Q. Why did you make so many of your computations up by the per station basis?

A. Simply for our information and the information of the Commission, that we might be able to compare the progress of the company along these various lines, and perhaps compare them with corresponding figures of other companies if they desired.

Mr. Burr: We renew our objection to that part of the exhibits.

[fol. 3776] Commissioner Maullar: The objection will be overruled. Note an exception.

Mr. Burr: Note an exception.

Mr. McConnaughey: We are through.

Mr. Burr: Have you anything further today?

Mr. McConnaughey: No, nothing further today.

Mr. Burr: We can start with Mr. Dorsey if you would like to have us start a new witness now. We will start now or tomorrow morning. It will take about a half a day.

Commissioner Maullar: Well, we will recess then till ten o'clock.

And thereupon the further hearing of this matter was adjourned until Thursday, February 17th, 1927 at ten o'clock A. M.

[fol. 3777] Morning Session

Thursday, February 17th, 1927.

And also V. A. Dorsey, called for purposes of cross-examination, having been heretofore duly sworn, testified as follows:

Cross-examined by Mr. Burr:

Q. Mr. Dorsey, you are the one, are you not, who compiled the unit costs used by Mr. Hagenah in his appraisal in this case?

A. Yes, sir.

Q. Will you tell the Commission, if you please, how you started about the computation of those unit costs, including in your answer the basis or bases from which you started and just how you built them up; what experience you used in connection with them and how you finally arrived at the unit costs actually applied in the case?

A. The method pursued was really this; first, the material prices were obtained, in a majority of cases from The Western Electric Company, and for such materials as were not furnished by The Western Electric Company we obtained prices from the manufacturers of those materials. These were tabulated, and to such prices we applied the freight to the central point in Ohio, which was

Columbus, and added six per cent to cover store-housing or ware-housing in handling such materials th-ough the storehouse.

[fol. 3778] The next step was to obtain——

Q. Just a moment, if you please; in using The Western Electric prices for your unit costs, you used Western Electric prices to The Ohio Bell Telephone Company, did you not, and not its prices for the same kind of material to the trade generally?

A. The prices to the trade generally are somewhat higher, varying all the way from five to about twenty per cent.

Q. Then they are to the——

A. To the Licensee Companies of The American Telephone & Telegraph Company, or The Ohio Bell Telephone Company.

We used the same prices for materials that the Company used; in fact, we were supplied with a price list from The Western Electric Company in which The Western Electric Company stated that those were the prices that The Ohio Bell Telephone Company would pay for materials purchased as of June 30th, 1925.

Q. And those are prices that were lower than to the trade generally, if I understand you?

A. Yes.

Q. Proceed, if you please.

A. We obtained the scale of wages paid the several classes of employes or laborers used in the construction of telephone property from the Company's records. This information was compiled by Mr. Morse.

We next proceeded to set up a gang to construct the several classes of property; that is, I mean to say here, that the gangs varied, depending upon the type of construction and the class of property being built.

[fol. 3779] After setting up the gang to do a particular piece of work we added to such labor costs a percentage to cover the tool expense and also 17 per cent to cover supervision expenses.

Our units also contained the use of trucks where possible, and, in some instances, the use of teams or team and wagon.

Q. You did not adopt, however, the costs for that operation shown by the books of the Company, did you, or by its records?

A. No, sir, we did not, because the records, from the completion reports or from any other record that the Company may have, did not segregate the labor into the several classes that I have segregated the same in my unit costs.

Q. But you used certain labor units in compiling your unit costs, didn't you?

A. Yes, that is true.

Q. And you did not use the Company's labor units?

A. No, sir.

Q. That is, you did not in the last analysis, did you?

A. I did not.

Q. What I am trying to get at is the basis for the unit costs which you yourself used?

A. Do you mean by that the basis, or rather the performances of labor in the several gangs that I have set up for the doing of the work?

Q. Rather this; you set up the gangs, as you say you did, and in evaluating or arriving at the cost of the work as done by those gangs you used certain unit labor costs, [fol. 3780] didn't you?

A. Yes, that is true.

Q. What was the source of those costs which you yourself used; were they based on your investigation of those costs in Ohio or in some other State or were they based on a record of costs of that sort which you kept from time to time, or just how, in short, did you arrive at the labor costs which you used?

A. The labor costs were derived from cost studies and time reports that were prepared for The Cleveland Telephone Company report prepared by our office in 1913 and 1914, I think it was, and also checked in more detail in the appraisal of The Michigan State Telephone Company and The Southern Bell Telephone Company and The Chesapeake & Potomac Telephone Company.

When I mention these companies, I mean that the performances, or rather the basic units, were developed back in 1913 and corrected or brought down to date in each new job or new work—new undertaking.

Q. By what process did you arrive at the unit costs which you say were developed for The Cleveland Telephone Company in 1913?

A. The development of those unit costs was on the basis of gang performance and checked by employes of the Tele-

phone Company, our office and also the engineer of The Public Utilities Commission of Ohio in making time studies of the actual performance of gangs in the field during construction work.

Q. In testing the performances of those gangs did you observe their work in the field?

A. Yes.

Q. Did you keep a time check showing the amount of [fol. 3781] time involved in the different classes of work which they performed?

A. Yes, sir.

Q. Have you made any observations of that sort in Ohio since 1913?

A. The only observations that were made, as I testified to before in the former hearing, were made by Mr. Dischinger. I did not make any personally.

Mr. McConnaughey: Who is Mr. Dischinger—just for the record?

The Witness: Mr. Dischinger was the field engineer in charge of the work in Cleveland in the Ohio Bell work.

Mr. McConnaughey: For whom?

The Witness: Mr. Hagenah.

By Mr. Burr:

Q. Do you know where, that is to say, in what localities, Mr. Dischinger made his observations with respect to the time elements?

A. No, sir, I do not.

Q. Do you know how long he was engaged in that work?

A. I could not say as to the length of time that he devoted to that work, but the observations were made in the Cleveland District, because the greater time of the men was spent in that District, and most of our checks were conducted in the Cleveland area.

Q. At page 2245 of the record you said that you had no Ohio Bell Telephone Company information available as to the number and kind of splices in the Company's property, and therefore you used ten per cent of the total cable costs exclusive of splicing as representing the splicing cost; do you remember that?

A. Yes.

[fol. 3782] Q. What if any large telephone companies' splicing costs for aerial cable have you studied recently in order to determine your splicing costs in this case?

A. I have not made any recent studies as to the splicing of aerial cable but I have completed recently a study for the cost of splicing underground cables for The Illinois Bell Telephone Company in the Chicago area.

Q. But none in Ohio?

A. No, sir.

Q. How do the number of splices per thousand feet of aerial cable in the property of The Illinois Bell Telephone Company compare with the number per thousand feet in the Ohio Bell property as of June 30th, 1925?

A. I could not answer that question. I have never ascertained or inventoried the number of splices in the Illinois Bell Telephone Company's aerial cable plant and I do not know the number of splices in the aerial cable plant of The Ohio Bell Telephone Company.

Q. I see. Did the Cleveland inventory made in 1913, enter at all into your determination of the number of splices in the aerial cable or the splicing costs for aerial cable, either one, of The Ohio Bell Telephone Company?

A. Only to this effect, that in the 1913 inventory of The Cleveland Telephone Company, the splices were counted and inventoried and I ascertained the ratio of the total cost of splices to total cable plant. I also did the same in connection with The Michigan State Telephone Company in which the splices were inventoried in detail and priced in detail. I took the ratios of the total cost of splices to the cable plant and [fol. 3783] applied the same percentage to the total cable plant of The Ohio State Telephone Company.

Q. Do you mean The Ohio Bell Telephone Company?

A. The Ohio Bell Telephone Company, yes.

Q. How did the unmber of splices per hundred feet in the case of the Michigan Company compare with Ohio, if you know?

A. I did not take it on the basis of—the splices were inventoried in detail and the unit costs for each splice were ascertained by taking the material entering into the splice and the labor to finish the splice, and I took the total number of days for splicing and, comparing it with the total cable plant, it showed a ratio of about 9½ per cent for cable splicing and material, and also the loss of approximately three feet of cable for each splice on the average.

Q. If the number of splices varied as between Michigan and Ohio per thousand feet or per hundred feet—per thou-

sand feet would be better—wouldn't that affect the percentage cost of the splicing to placing cost?

A. Yes, it would, but I have made further checks on the cost of splicing as compared to the total cable plant in three other properties, and where the detail inventory was made of the splices, the percentage of splices to the total plant averaged from nine to 11½ per cent, ten being about the average for the five plants. Naturally if one company has shorter blocks, therefore they would have more splices per thousand feet of cable, and the ratio of the total cost of *of* [fol. 3784] splicing to the cable plant would be therefore higher. I do not know what the number of splices per thousand feet are in The Ohio Bell Telephone Company's plant, as we did not have an inventory of the splices.

Q. Don't you know that in the inventory of The Cleveland Telephone Company and with respect particularly to the aerial cable plant of that Company, the inventory showed one splice per 301 feet?

A. I could not say; I have not checked it.

Q. Well, you had that available of course and you can check it?

A. Yes, sir.

Q. And don't you also know that in this case the Company's exchange inventory shows one splice per 245 feet?

A. No, sir, I do not; I had no inventory of splices at all in this case.

Q. Well, it is available to you, isn't it?

A. I understand so; the last hearing it was available, although we did not have it when the unit costs were compiled.

Mr. McConnaughey: Do you mean the inventory that was filed in this case, Mr. Burr?

Mr. Burr: The details back of that, Mr. McConnaughey.

By Mr. Burr:

Q. Still referring to the inventory in the Cleveland case, do you know that in the underground cable plant it shows one splice per 866 feet; do you remember that?

A. No, sir, but I think that would be rather an unusual length between manholes, one splice for 866 feet in an underground cable plant.

[fol. 3785] Q. Well, do you consider that a large percentage of splices?

A. I should think it would be rather small, if you only had one splice for 866 feet of cable; you should have about two for that length.

Q. Did you find from the details of the Company's inventory in this case that in the case of exchange underground cable there was one splice per 530 feet?

A. I could not find that, Mr. Burr, as I did not have the total number of splices. All I had was the cable plant as shown in the inventory exclusive of splices.

Q. It is a fact, is it not, that, through your Mr. Dischinger, you had available, in Mr. Williams' offices, the number of splices of each kind covering 11,292,568 feet of aerial cable and 46,430 splices?

A. I could not say. When you mentioned the fact at the former hearing that that information was available, upon my return to Chicago I questioned Mr. Dischinger about it and he said he was unable to obtain the total number of splices in the plant of The Ohio Bell Telephone Company; that you had an inventory of some of the splices but not all; that is, you had information as to the number of splices per thousand feet of cable for aerial and underground cable plant, but you did not have an inventory of all the splices in the Company's property.

Q. Did Mr. Dischinger tell you that he did not have available all of the splices shown in the exchange inventories which went to make up the Company-wide inventory? Do you remember that?

A. He told me, as I have explained, that there was not [fol. 3786] an inventory of splices in the aerial and underground cable plant for the entire property; that you had inventories of some of the local exchanges but did not have a complete inventory of splices for the entire property.

Q. Didn't you use the miscellaneous material obtained from the same sources for the pole lines, so that Mr. Dischinger must have had access to all of the exchange inventories which would show these cable splices?

A. Well, understand me, that we had access to all of your detail and the miscellaneous material for poles, including cribbing guards and hub guards and miscellaneous other material. We have the same detail for those items which you have in your unit costs.

Q. Well, Mr. Dischinger then did not use any of the details which were available from the Company's records as to the splicing costs, so far as you know?

A. He did not have the information of the number of splices, and when I asked him for the inventory of splices he informed me that such was not available, and I applied the percentage factor to take care of that item of property.

Q. In testing your placing cost, how did you divide the costs as between placing and splicing, as shown on the Company's estimates which you say you used in order to arrive at your placing costs separately?

A. Are you referring now to my units or to the Company's units?

Q. You said that you tested your units and arrived at a percentage as between labor and material, didn't you?

A. No, sir; I think that I testified in reference to the test- [fol. 3787] ing of the units contained in the Hagenah appraisal report that a check was made after the report had been priced and we found the percentage relation of the labor to material on the following classes of plant, exchange pole lines, aerial cable, underground cable and toll pole lines, and showed the same tabulation for our material and labor costs applied to the inventory quantities, taking the ratio of the labor to material in that estimate, and found that they compared in this ratio; that the ratio of labor to material for those classes of property, based upon the Company's unit costs, was 54.6 per cent; and applying our labor units to the same classes of property in the same quantity, we found 52 per cent, or an approximate difference of five per cent.

Q. Now in arriving at or in reaching that conclusion did you include splicing costs in your labor or use only the placing costs?

A. In my units?

Q. Yes.

A. No, my units were compiled as to the cost of cable in place including material, supply expense, freight, supervision and labor, showing the total unit, and adding ten per cent to that total to cover the cost of splicing labor and material used in the splice.

Mr. McConnaughey: Ten per cent of all the other items up to that?

The Witness: Yes.

Mr. McConnaughey: Including material and labor?

The Witness: Yes.

By Mr. Burr:

Q. Then you did include the splicing in order to obtain [fol. 3788] the percentages in both cases?

A. Yes.

Q. Were the inventories of the other companies used by you in obtaining your cost of ten per cent for splicing priced out on the level of costs both for labor and material as of June 30th, 1925, or as of some other date?

A. As of some other date.

Q. Do you know what was the average size of the cable in the inventories which you used in compiling your unit costs for cable in this case?

A. I do not recollect the average size of cable in the former inventories but that could be ascertained from the reports themselves. I think that the average size or number of pair cable in the aerial plant of The Ohio Bell Telephone Company is somewhere around between 350 and 400 pair.

Q. But you do not know what the average size was in these other inventories to which you referred?

A. No, sir, I do not, but I feel that it would be somewhat less because those reports have been made about ten years ago and there was a greater tendency to have cable of a lesser number of pairs in those days than there is now.

Q. The percentage of splicing costs would vary according to the different sizes of cable, wouldn't it?

A. Yes; the labor increases as the number of pair in the cable increases, as does the material.

Mr. McConnaughey: What percentage of variation is there?

[fol. 3789] The Witness: I could not say on a percentage basis, Mr. McConnaughey, what it would amount to.

By Mr. Burr:

Q. What proportion of cable used by you in the inventories upon which you based your splicing costs in this case are 24 guage cable; do you remember that?

A. No, sir, I do not, as the percentage allowance for splices was the same for all sizes and classes; that is, ten per cent on the 19 guage and ten per cent on the 24 guage; in fact, the labor for splicing a 24 and a 22 guage would not be material for the same size of cable—the difference in the labor cost.

Q. Upon what do you base your conclusion that the percentage of splicing costs to placing costs should be the same for underground cable as for aerial cable?

A. My conclusion was based upon the data that was obtained in the former five telephone inventories that the ratio of splices to the underground and aerial cable plants in this case was about the same. There is not much difference in the cost of preparing an aerial or underground splice in the same size cable, as to labor.

Q. I was not referring particularly to the cost of preparing the individual splices, but rather to the cost of splicing as compared with the placing cost.

A. Why, I should judge that the placing cost of the underground cable plant would be less than that for placing a similar size cable in the aerial plant, and the ratio of the splice and material would depend upon the number of splices and the type of splices to the underground as com-[fol. 3790] pared with the aerial; that is, you cannot compare the two unless you have an inventory because in some cases the underground splices contained more multiple splices than straight splices due to the fact of laterals running into the buildings, etc., joining onto the aerial plant; while in the aerial plant you have a great many more straight splices in some instances; and, furthermore, the length between manholes naturally changes the ratio of the cost of splices to the cable plant.

Q. Did you make any investigation of the splicing costs shown by the Company's estimates?

A. No, sir, I did not.

Q. Did I understand you to say that the splicing costs in the case of aerial cable were greater than those in the case of underground cable? I am not sure whether you said that or not.

A. I do not think I did. I think they compare quite about the same. In one you have the clearing out of the manhole and fitting it for the use of the splicer, and in the other you have to put up your splicing balcony and canvass and protection above, so I think they about balance. Possibly the aerial cost is a little bit more.

Q. Isn't it a fact that the Company's estimates show the underground splicing costs in proportion to the placing costs to be greater than in the case of aerial cable?

A. I could not say; I did not make a check of that.

Q. Isn't that almost always the case?

[fol. 3791] A. I can tell you by referring to details of the splicing in other telephone appraisals.

Q. Now I am asking you for the percentage relation of splicing to placing, you understand, in the case of aerial as against underground.

A. I could not answer that, Mr. Burr; I do not know the percentage.

Q. At page 2245 of the record you say that your allowance of ten per cent for splicing covers also the cable loss; how much of the ten per cent is splicing and how much cable loss, if you know?

A. I do not know. It depends on the price of the cable.

Q. At page 2172 of the record, in referring to toll aerial and underground cable, you say: "Toll underground cable, unit cost, would be the same as exchange underground cable, unit costs, for the same kind and class of cable." Have you allowed ten per cent for splicing of toll underground cable?

A. Yes.

Q. Would not the splicing cost for quadded and composite cable run more in proportion to placing costs with respect to toll underground cable than exchange underground cable?

A. Yes, it costs more to splice a quadded cable than it does a straight cable.

Q. And the same is true of composite cable?

A. And the same is true of composite cable, but applying ten per cent to the higher priced cable naturally increases the cost of the splice too.

Q. I am not talking about different sizes of cable; I am asking you whether or not the splicing costs of quadded [fol. 3792] and composite cable in terms of percentage do not run more in proportion to the placing costs on toll underground cable than on exchange underground cable?

A. Yes, they would run more.

Q. What was the source of the wage rates referred to by you at page 2244 of the record?

A. The wage rates referred to there, the tabulation prepared by Mr. Morse, was taken from the Company's records of the scale of wages paid the several classes of employes of the Company as of 1925.

Q. Do you know why you used 70 cents per hour for linemen for pole line and underground cable construction and

60 cents an hour for aerial line wire and 60½ cents per hour for aerial cable construction?

A. Yes; the scale per hour for the different employes there are averages, as you have several different wage scales for men employed in the same class of work.

Q. Now, as a matter of fact, are not linemen used on all of those four classes of work, and isn't their rate of pay the same for whichever class of work they may be performing?

A. No, sir, they are not the same.

Q. Why do you say that?

A. I have the tabulation here, taken from the Company's records. Here is a tabulation showing the wages paid cable splicers, varying from 42½ cents an hour up to as high as 67½ cents.

Q. I only asked you about linemen?

A. I will get the same for linemen. The scale for lineman [fol. 3793] is from 27½ cents an hour to 83¾ cents per hour.

Q. What does it show for linemen engaged in pole line work exclusively?

A. I do not seem to have them separated here as between those engaged upon pole line construction or aerial cable plant. I have here the number of men engaged and the rate per hour.

Q. Then why did you make those distinctions between the rates for the different classes of work as you used them in your appraisal?

A. I find from the detail unit costs that the rate for linemen used in pole line construction was 70 cents per hour, and the rate of linemen used in aerial cable plant, that is, placing clamps, stringing the strain wire and placing the cable, is only 60½ cents.

Q. That is, those are the costs that you used in your units?

A. Yes.

Q. Now, as a matter of fact aren't linemen used on all of these four classes of work and isn't their rate of pay the same for whichever class of work they may be performing?

A. Well, it all depends upon the scale of wages paid the men in each gang, because the linemen do not receive the same compensation per hour; that is, for all the men in the gang; there is a difference there, but I have no way of explaining the cause of using 60½ cents for the aerial plant

and 70 cents per hour for the pole line plant. I may be able to locate it in here.

Mr. McConnaughey: Do you know what the basis of the difference in the wage scales is for linemen?

The Witness: My understanding is that men who have [fol. 3794] been in service for a greater period of time than others are given greater compensation than the newly employed men.

By Mr. Burr:

Q. In other words, they are rewarded for efficiency and experience?

A. Or years of service, yes.

Q. Now the same thing is true, isn't it, with respect to your use of one dollar per hour for pole and wire foremen and 86 cents per hour for aerial and underground cable foremen?

A. Yes, that is true.

Q. What adjustments have you made in the aerial cable material cost due to the fact that the costs for double wrapped silk and cotton, wool and rubber covered cable are greater than the cost of single wrapped cable?

A. I made no adjustment in the unit costs to cover the differences in the costs that you mention for those classes of cable.

Q. Well, those different classes of cable are present in the cable plant of The Ohio Bell Telephone Company, aren't they?

A. Yes, sir, they are. I do not think there is anything in the detail inventory, Mr. Burr, which shows the amount of these special classes of cable that you mention.

Q. Were not the detail amounts of those various kinds of cable available to you in Mr. Williams' office?

A. I could not answer that question; I do not know.

Q. Did you make any inquiry as to those items or as to the information available with respect to them?

[fol. 3795] A. I remember discussing the same with Mr. Sheehan from Mr. Williams' office in Cleveland and he informed me that such details were available. Now it seems to be that there has been an omission, as there is no allowance made in the unit costs for that class of material, and I am quite certain that there is some cable of the classes that you mention in the plant—there must be.

Q. What adjustment or allowance did you make in your aerial cable costs for actual types of messenger in use in the Ohio Bell plant; do you remember that?

A. That is, you mean the messenger for supporting the aerial cable?

Q. Yes.

A. I took your standard specifications and allowed the size of messenger necessary to carry the given size of cable, and also the number of clamps per foot.

Q. That is, you varied from the specification type?

A. No, I assumed the specifications, that the plant was built under the specifications, and made my estimate to cover those specifications.

Q. As a matter of fact the Company sometimes does depart from the specification size and use a heavier size on occasions?

A. That is true, yes; on long spans over railroad tracks in some instances a heavier messenger is used to insure better construction.

Q. There would be a difference in that case in both the labor and material involved, wouldn't there?

A. There would be an additional cost of material and also labor for placing.

Q. What allowance have you made in your exchange con- [fol. 3796] struction costs for the item of sundry disbursements?

A. I have not made any allowance for the item as you state it, "sundry disbursements"; under your specification that covers the hiring of teams and automobile hire and miscellaneous expenditures. I have in each of the gangs set up the cost of truck or such other conveyance as was necessary for the performance of that work.

Q. Do not the sundry disbursements in the accounting system of The Ohio Bell Telephone Company include trucking, hauling, board, lodging, traveling expenses and small purchases of material?

A. Yes, in some instances small purchases of material, and also automobile hire.

Q. It is true, isn't it, that there are many exchanges in The Ohio Bell Telephone Company, which, in the reconstruction of the property, would be too small to maintain a permanent construction organization, and for which it would be necessary to pay board and lodging for a construction gang?

A. That is true. Undoubtedly that construction would be

taken care of at the time the toll line plant was being built through.

Q. Then did you use the toll line units and their attendant board and lodging factors in considering that part of the exchange reproduction?

A. No, sir, I did not, as I had no inventory to show the number of poles or quantities of material in such localities.

Q. Well, such exchanges would exist though, would they not?

A. There would be a few of them, yes.

Q. Now the general foremen have traveling expenses while [fol. 3797] traveling from one job to the other, do they not?

A. I should think they would be entitled to expenses, yes.

Q. Also the same would be true of construction superintendents?

A. Yes.

Q. Are the traveling expenses of direct supervisory employes charged to sundry disbursements or not?

A. I could not say what your accounting practice of that is, Mr. Burr, but I have made allowance for board and lodging and traveling expenses for the toll line plant construction. I made no allowance for those items in the exchange areas.

Q. I was going to ask you about that because we have not been able to find any allowance for them. Now on toll line construction you have made an allowance of 20 per cent of direct labor for sundry disbursements for board and lodging only. On pages 2249 and 2250 of the testimony you say that this allowance is based on some analysis and some discussion with plant superintendents and studies made elsewhere. Will you tell us, if you please, where and when those studies last referred to were made, and were they made by you?

A. Your question there, Mr. Burr, states 20 per cent of sundry expenditures.

Q. For board and lodging only.

A. It is not 20 per cent of sundry disbursements; it is 20 per cent of the wages.

Q. I said 20 per cent of direct labor for sundry disbursements for board and lodging only.

A. That is 20 per cent for board and lodging but no [fol. 3798] sundry disbursements in it.

Q. Board and lodging is part of the sundry disbursements, is it not?

A. No. The question is not quite fair, for this reason, that I allow 20 per cent for board and lodging and there is an additional allowance for trucking and hauling, which is covered under your sundry disbursement charges, and I showed it as a separate item in the costs.

Q. I understand that, but what I am trying to get at is where and when the studies referred to were made by which you arrive at this 20 per cent for board and lodging.

A. The study was made in the appraisal of The Chesapeake & Potomac Telephone Company of West Virginia, and also of Virginia, and also our office made a very detailed study of the cost of transmission line construction through the State of Alabama and a study covering the same class of expenditure on The Southern Bell Telephone properties in the cities of Birmingham and Bessemer.

Q. Now the discussions with plant superintendents to which you referred at those two pages of the record were had by Mr. Dischinger, were they not?

A. That is correct, yes.

Q. Do you know the names of the plant superintendents to whom he talked?

A. No, sir.

Q. Or where they were located?

A. No, sir; in the Cleveland district is all I know.

Q. Don't you know that the percentage experience of The [fol. 3799] Ohio Bell Telephone Company for board and lodging to labor in the case of toll pole lines as shown by the estimates used by you in proof-testing your costs was 45.77 per cent instead of the 20 per cent which you used?

A. Doesn't that 45.7 contain other expenditures than board and lodging?

Q. No, it is board and lodging only.

A. I could not answer that as I did not make a check of your estimates.

Q. Well, if the Company's costs for board and lodging do show 45.77 per cent to labor instead of the 20 per cent which you have used, that fact ought to have been taken into consideration, ought it not, in arriving at your unit costs?

A. Oh, I hardly think so.

Q. I see. And you do not know that the Company's estimates showed the percentage for board and lodging to labor in the case of toll aerial wire as 56.98 per cent, do you?

A. No, sir, I do not.

Q. In any event you used 20 per cent, didn't you?

A. Yes.

Q. To what extent do your unit costs take into consideration the item of lost time on account of bad weather, delays and that sort of thing?

A. I could not say as to what percentage or what consideration was given, but the gang performance as set up in my units have amounts for lost time or unproductive labor. I do not think it is covered to the extent that is shown in the specific estimates or completion reports. I feel that you have more lost time in these small jobs, or not constant [fol. 3800] construction of the same nature, than I would have in building a gang that would do nothing but build pole lines or string cable or pull underground cable or string wire.

Q. What is your judgment as to the allowance which should be made for that factor?

A. I do not believe I am in a position to express myself, Mr. Burr, on that at the present time. It would vary upon conditions, weather conditions, your foreman, and the organization that you would have behind such construction gangs.

Q. I assume you are familiar with the accounting methods and procedure followed by The Ohio Bell Telephone Company?

A. To some extent.

Q. And you know that those methods and procedure are in conformity with the Uniform System of Accounts prescribed by The Interstate Commerce Commission and adopted by The Public Utilities Commission of Ohio?

A. That is true, yes.

Q. In order to prepare your unit costs of reproduction you would have to have a fairly complete knowledge of those methods and procedure before you could make an analysis of the figures on the Company's books, would you not?

A. That is true, if I analyze the Company's books.

Q. Will you please tell the Commission what supervisory employes are included in your allowance of 17 per cent for plant supervision, referred to at page 2155 of the record?

A. I cannot answer that question, Mr. Burr, as you have put it, as the 17 per cent for supervisory expenses as in- [fol. 3801] cluded in my unit costs is based upon an analysis of the Company's records covering those items and after due consideration by Mr. Hagenah and myself of the com-

pilation made by Mr. Morse we decided that 17 per cent on the labor would be a fair allowance for supervisory expenditures, and that is also the figure for the same supervisory expenditures in other recent telephone appraisal reports that were prepared by our office.

Mr. Burr: I move to strike out the last part of the answer which says that that also is the percentage used in the case of other telephone appraisals prepared in the witness' office.

Commissioner Maullar: As not responsive to the question?

Mr. Burr: Well, the fact that 17 per cent may have been used in Ohio and the witness may have used the same percentage in other States does not prove the fairness of it for Ohio.

Mr. McConnaughey: Why did you use it in other States?

Mr. Burr: We object to that.

Commissioner Maullar: I think the motion should be sustained to the answer; the motion will be sustained striking out the latter part of the answer.

Q. Well, Mr. Morse's study did show approximately 17 per cent for plant supervision, didn't it?

A. In some years it showed in excess of that amount and in other years it was under.

[fol. 3802] Q. The average for the years which he considered showed 17 per cent?

A. Yes.

Q. Now that 17 per cent included, did it not, the following employes; general superintendents of plant——

A. I have not the details. Mr. Morse would be better qualified to answer that question than I am as to the class of employes that it contains.

Mr. McConnaughey: Wait until he asks the question before you answer it.

Q. Exclusive of the 17 per cent allowance for plant supervision what classes of employes do your labor costs include?

A. The labor costs only include the direct employes and the foremen to run the gang; that is, they do not include any allowances for supervisory expenditures as inspectors or engineers or men to see that the work conducted under the specifications was properly done.

Q. Mr. Morse would be able to give us the details of the 17 per cent, would he not?

A. No, he could not give you the details of the 17 per cent; I don't think he can; but he can give you the employes under the supervision charges. I understand he cannot give that either.

Q. Will he be able to give us, do you believe, the supervisory employes included in the allowance of 17 per cent for plant supervision?

A. I do not think he can. It is based upon your own distribution as you have it on your books.

Mr. Burr: Can you, Mr. Morse?

Mr. Morse: Not specifically. My computation was simply [fol. 3803] based on the analysis of the Company's books and distribution of expenditures between accounts entering into Account 706.

Mr. McConnaughey: What is 706?

Mr. Morse: Plant supervision. That account covers the plant superintendence, office and plant accounting, and it is applied on all construction estimates on a percentage basis, both routine and specific.

By Mr. Burr:

Q. Well, was it your intention to use the percentage for plant supervision shown by the Company's records or did you reduce it in any respect? In other words, do you believe that the Company's cost for the supervisory employes is correct; that is what I am trying to get at.

A. Why, I do not think that the average over the three year period would show exactly 17 per cent. As I say, in some years it was higher and in others it was lower. Of course that varies upon the amount of construction that is being done in any specific time or year, and naturally the 17 per cent that was used in my unit cost estimates I felt reflected a fair percentage for supervision expenses.

Q. Well, suppose the Company's direct labor costs had been the same as those evolved by you, then would your percentage for supervisory employes have been the same as that of the Company?

A. No, I could not say that they would. The expenditures that you have shown on your books for plant supervision are not based on the reproduction cost new theory; they are only partial, and I feel that 17 per cent of the [fol. 3804] direct labor charges to cover plant supervision is ample and varied to some extent by what it has been

costing the Company to do large construtcion work in some years. There is not much difference, Mr. Burr, between my allowance for plant supervision and tools as compared with the allowance that I found in checking over the units of Mr. Williams for the same items.

Q. Now in addition to the 706-01 and 706-02 accounts for plant supervision, there is the 711 account, is there not, which takes care of the direct supervisory employes, does it not?

A. I do not know anything about account numbers, 711 or 706-01.

Q. You said that the supervision expense which you used compares very closely with that used by Mr. Williams?

A. Yes.

Mr. McConnaughey: That is not what you said.

Mr. Burr: What did he say?

Mr. McConnaughey: The supervision and tool expense compared.

By Mr. Burr:

Q. All right; supervision and tool expense; now we are right, aren't we, Mr. Dorsey?

A. Yes, sir.

Q. Don't you know that Mr. Williams included in his direct labor costs the direct supervision which is in addition to the plant supervision?

A. I could not answer that question. Mr. Williams would be better qualified to do that, as I did not have all the details of his unit costs. It only showed his allowance for [fol. 3805] supervision and tool expense and supply expense. Now what other expense he has in the direct labor or material costs I do not know as I have not the details.

Q. Where have you made allowance for the division construction superintendents, division cable superintendents, division equipment superintendents, supervisory foremen and chief foremen of construction?

A. About the only answer I can give you to that is that they are included in the plant supervision expense, 17 per cent.

Q. It is your intention then to include all supervision above the job foremen in your 17 per cent, isn't it?

A. That is right, yes, sir.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day, Thursday, February 17th, 1927.

[fol. 3806] Afternoon Session

Thursday, February 17, 1927.

And also VICTOR A. DORSEY, resuming the stand for further cross examination, continued his testimony as follows:

Cross examined by Mr. Burr:

Q. In referring to what you term piecemeal construction, Mr. Dorsey, you say that you eliminated all routine estimates in making your check of percentage of labor to material and used only specific estimates. I refer to page 2237 of the record.

A. That is true, yes.

Q. How do the costs in regard to percentage relations of labor to material compare with the routine estimates?

A. I can't say.

Q. Wait a minute. How do the costs in regard to the percentage relation of labor to material compare for the routine estimates with the specific estimates?

A. We made no analysis of the routine estimate; and we were unable to make any analysis of the routine estimates as they were not in sufficient detail.

Q. You could, however, have secured the percentage of labor to material, could you not?

A. Yes, that is true; but there are so many types of construction, that is erecting poles and taking down of the pole lines and putting up crossarms, stringing wire or cable that are included in the routine estimates that it would be [fol. 3807] rather hard to derive any basic unit to be used in reproduction cost estimate.

Q. Do you believe that the costs are higher in the routine estimates than in the specific estimates?

A. I can't say. I made no comparison.

Q. For all you know the labor costs in the specific estimates may be lower than those in the routine?

A. It may be possible, or vice versa.

Mr. Burr: Well, leave out the question.

Mr. McConnaughey: What are you going to do; cut it out?

Mr. Burr: Yes, we will withdraw it.

(Question and answer read.)

Mr. Burr: Well, let it stand that way.

Q. Don't you know that the percentage relation of labor to material in the particular routine estimates used by Mr. Williams for exchange pole lines was 93.08 per cent.?

A. No, sir, I do not.

Q. You don't know that?

A. No.

Q. And you don't know that in the particular specific estimates used by him it was 91.97 per cent. or about one per cent. difference?

A. No, sir, I do not.

Q. Well, you could have found that out, couldn't you?

A. Yes, but it would be—the information could be obtained from the analysis of the specific estimates.

Q. Yes. Do you know that the percentage relation of labor to material in the routine estimates used by Mr. Williams on house cable was 115.79 per cent. and on specific estimates for the same item 123.25 per cent. or about 7½ [fol. 3808] per cent. lower for the routine estimates?

A. I don't doubt it.

Q. Do you know that the percentage relation of labor to material on routine estimates used by Mr. Williams for exchange aerial wire was 88½ per cent. while for specific estimates for the same item it was 144.7 per cent. or about 55 per cent. lower on the routine estimates?

A. I should say that that would be rather unusual to have that difference.

Q. Unusual in what respect.

A. To have that spread between the specific and the routine. The charges there couldn't have been carried forward properly or you wouldn't find that large a difference in the percentage relation of material to labor in the two classes of estimates.

Q. Do you know that they were not carried forward properly?

A. I do not, no. But the figures would indicate that they were not; or there may have been some special job that involved different types of construction.

Q. Do you know that of the total construction costs for outside plant accounts for the three years ending with 1924, amounting approximately to $7,800,000, Mr. Williams eliminated over $4,700,000 as representing piece-meal or abnormal construction cost?

A. I can't say as to what he eliminated, but I know there were a great many estimates eliminated both by Mr. Williams and our engineers in making the study, in which they were not subject or could not be analyzed in detail.

Q. Yes; but you don't know that he omitted in dollars more than half of the total estimates for those three years?

A. That is half of the routine and specific?

[fol. 3809] Q. Yes; total construction.

A. I think Mr. Stephens said that was the case, and from the records that we checked in your offices, and Mr. Williams' tabulations, that is true; but the greater elimination of the estimates was due to the fact that the routine estimates were impossible of analysis.

Q. There isn't any routine estimate or any other kind of an estimate that you can't analyze, is there?

A. Yes, there are. You might take the tabulations as they are shown in the estimate; but to take and analyze it to the extent you can tie them down to specific units I claim that there are very few that you can do that.

Q. Well, what do you mean by specific units?

A. Oh, as an example the cost of the labor required to deliver and erect a 35 foot pole as compared with a 40 or 45; the time required on different classes of labor to erect the pole, or the cost of stringing or placing 200 pair cable as compared with 400 or 600 aerial cable.

Q. Now, I believe that you said that a construction period of five years would be necessary to reproduce the property involved in this case. I refer to page 2234 of the record.

A. Yes, that is true.

Q. Have you made a study or analysis of the property which bears out that conclusion?

A. No, sir, I haven't.

Q. At page 2236 you testified that mass construction means, "Continuous operation of the gang in the field from the early spring months until late fall." Please tell the Commission what your construction organization would do in the winter under such a plan.

A. The only one thing they could do, and that would be [fol. 3810] that the company would discharge them or the greater part of them during the winter months, and only keep such members of the organization that were capable of building a new organization in the spring.

Q. Yes.

A. You wouldn't carry the entire organization over the winter.

Q. And that is what the organization which you retain would have to do, isn't it, rebuild the organization each spring?

A. Yes, in part; not in whole. That is, you would keep your foremen and your men that were familiar with your class of work and had given good service the previous season to start in the next spring with a new gang or part of the old men to do the construction work the next year.

Q. If you should retain your supervisory forces during the winter when you say construction would cease, would you not have a very high supervisory expense in comparison with the amount of construction done?

A. I can't say as to how high it would be. It necessarily would be somewhat a greater amount on total construction over the period than if you had something for the men to do all the year around; but I don't think that the difference there or rather the saving that you incur by keeping a nucleus of the forces together would reflect itself in the next year's construction.

Q. You have never made a study to determine that, have you?

A. I have not made a study to that effect; but I have had experience in construction work over a period of three years in which that was true.

Q. What do you know of the comparative efficiency and [fol. 3811] performance of construction forces in the winter as compared with the summer?

A. Very much less in the winter than they are in the summer unless you are in a territory in which the working conditions are agreeable, that is you haven't any extreme cold weather or frozen earth to remove.

Q. Have you made an analysis of the records of the Ohio Bell Telephone Company to ascertain to what extent that is true in this territory?

A. No, sir, I haven't.

Q. If you didn't carry your construction forces on the payroll month in and month out do you think it would be possible to employ men at the wages specified in your unit cost details, knowing as you do that the wages so used are predicated on the basis of the employees working twelve months in the year?

A. There would be other factors that would enter into that consideration. You may pay more during one season than you would another; it would depend on the amount of labor that is available in the territory in which your construction is being done.

Q. Well, isn't it true that you can't employ men for we will say nine months of the year, with the knowledge on their part that at the end of the nine months they would have to be dismissed, at the wages which you have used in your unit costs for work of this character?

A. The only answer I can give to that question is that in some instances you may be able to acquire some for less and in other instances some for more. I think the average would be somewhere around the exact figure. I don't know if it would be sixty cents or seventy cents an hour, but I [fol. 3812] feel it would be possible to obtain labor at that rate.

Q. Now, the rates used in your unit costs, however, are those paid to men for all the year round work, aren't they?

A. Yes; and also it includes some unproductive time in which vacations and sickness and other conditions are taken into consideration.

Q. Yes; but they are on the basis of continuous jobs for the men employed, aren't they?

A. I think so, yes.

Q. Yes. There would be a cost of rebuilding your organization each spring, would there not, under the plan of dismissing them in the fall?

A. Only to the extent of having an employment office conducted by the company; and if the men realized that you had continuous construction during the construction time of the year for a period of five years I don't think you would have trouble in getting a great many of them back; in fact past experience has shown that these men will come back to their job when the construction period opens up again.

Q. But at a higher wage than that paid to men who work all the year round at the same kind of work?

A. Not necessarily, no.

Q. Well, isn't that pretty apt to be true, though?

A. It all depends upon the available labor that is in the market. You naturally wouldn't go out and pay a man a higher scale of wages if you could obtain the same class of employees for less.

Q. Quite true. But let us take the same labor market conditions prevailing throughout your five year period; let [fol. 3813] us say that during that time the labor market so far as supply and demand is concerned would remain constant. Now, isn't it true that you would have to pay those men who you say would come back to you year after year after the winter season is over, at a higher rate of pay in order to retain their services than you would pay the men who are retained and employed all the year round; that is bound to be true, isn't it?

A. I think there are other factors that would have to be considered there, Mr. Burr. It may be possible with some classes of labor and some classes not. You take linemen, for instance. They roam all over; you have them working for you for six months and they quit and go elsewhere and there is another one to take his place. That is the case that you find in the construction of electrical property and I think it is quite true in the telephone property also. They are of a roaming nature; they don't stay very well.

Q. Those men are called floaters, aren't they?

A. Well, they are floaters to a certain extent, although there are good men among them; good workers.

Q. Do you know anything about the average period of service of the linemen of the Ohio Bell Telephone Company?

A. No, sir, I do not.

Q. You don't know whether there are any floaters or whether floaters exist to any great extent in the organization?

A. I don't think you would have floaters in your organization, as the most of them are on a monthly basis. You may find some among the day men or those that are employed on an hourly basis, but I think the older men in your [fol. 3814] organization are responsible; they are not floaters.

By Mr. McConnaughey:

Q. Did you figure in the reconstruction of this property by the organization of this company as its exists at the present time?

A. No.

By Mr. Burr:

Q. But you used its wage rates in existence at this time and for continuous service, didn't you?

A. I used the wage scale as an evidence of what you can employ that class of labor in the State of Ohio for. Your wage scale has considerable spread in it from the low to the high on an hourly basis, as I gave this morning, I think from about 27½ cents or 37½ cents to somewhere around 82¾.

Q. Wouldn't the persons constructing a property whoever they might be incur stable and garage expense during this idle period of the winter months, and if so, how have you taken that into consideration in compiling your unit costs?

A. They would undoubtedly incur some garage expense, and the fixed charged including depreciation on the part of the equipment, that is the automobiles and trucks for hauling; but during the winter months when you have a large organization you generally put the equipment that is used in construction in first class condition to start the spring construction, and you use such men as you want to hold over on that class of work.

Q. But the stable and garage expense would be there, wouldn't it?

A. Yes, sir.

Q. Yes. Now, you didn't take that into consideration, did you, in constructing your unit costs?

A. No, sir.

Q. On page 2241 of the testimony you said that you had [fol. 3815] compared the performance used in your unit costs with information secured from the company's engineers. Who were those engineers, if you please, and what did they tell you?

A. If I stated that I did, I am in error. I didn't compare any of the unit costs, complete unit costs, with any employees of the telephone company.

Q. Yes.

A. In fact I don't think that the telephone company employees had any knowledge of what my unit costs were on any part of the property until the report was turned in here as an Exhibit.

Q. Yes, I understand that. But I am talking about performance. If I remember the record you said that you had compared the performance used in your unit costs with information secured from the company's engineers?

A. And I think I further stated that Mr. Dishinger had that discussion with the company employees, that I didn't have it personally.

Q. Oh, it was Mr. Dishinger and not you yourself?

A. That is true.

Q. Did Mr. Dishinger report to you his conversation with those engineers of the company?

A. He did, yes.

Q. Yes. Did you make any check of what he reported to you in the field against the actual performance of the men themselves?

A. You mean the actual performance——

Q. Did you take the information which he said he had received from the company's engineers and compare that with the actual performance of the men in the field?

A. No, sir, I had no way of doing that, as it would involve the pricing out of the materials on the specific estimate ac- [fol. 3816] counts, but separated as to material and labor. But I have prepared such an analysis since the last hearing and have it with me.

Q. Now, let us get back to this again. You received, as I understand it, certain information imparted to you by Mr. Dishinger, which he in turn is said to have secured from the company's engineers with respect to the company's records of performance; that is, the performance used by the company in its unit costs. That is true, isn't it?

A. I wouldn't say it was the performance used by the company in its unit costs, because the unit costs as compiled by the company, it is all shown by facts applicable to the labor as shown in detail in the Youngstown units.

Q. Well then, leave out the factor of the unit costs; you did receive that information with respect to the performance of the company as told by the engineers of the company to Mr. Dishinger and by him in turn told you; isn't that true?

A. Yes; and that performance would be reflected in your specific estimates.

Q. Yes. Now, what I am trying to get at is this. You then had certain information received from the company as to its actual performance, didn't you?

A. Its exact performance on the specific estimates that were analyzed.

Q. Yes—wait a minute; oh no, that is not right. Oh no. The actual performance of the men in the field.

A. I would only have their estimate or idea of what the men in the field thought was their actual performance as conveyed to Mr. Dishinger.

Q. Well now, these engineers would have known what the [fol. 3817] men were able to do in the field, wouldn't they?

A. They would have an estimate, yes, of what they could do, but that wouldn't be actual.

Q. All right. Well, that was the performance which these engineers indirectly imparted to you, wasn't it?

A. They imparted it to Mr. Dishinger, yes.

Q. Yes, and he to you?

A. Yes.

Q. Now, did you take that performance or those performance figures and check them through observing the men in the field?

A. No, sir.

Q. Now, you also say at that same page of your testimony, that is to say 2141, that the only application you made of the discussion with these engineers "Was to see that they were included—the number of men and the proper class of men for the construction purposes of this nature." Now, that wouldn't have anything to do with the performance or the amount of work performed per man, would it?

A. No, sir, it wouldn't.

Q. On page 2251 you say, "That you modified or checked the experience for West Virginia, Maryland, Alabama, Chicago, Illinois, Michigan and Wisconsin with the Ohio performance information secured by Mr. Dishinger from Cleveland." Now, just what kind of a modification did you make in these costs of other states due strictly to the information brought to you by Mr. Dishinger relative to performance?

A. The check or modifications, as you may term them of the unit costs were based in this way; that we had records and also unit cost date pertaining to all the properties that were appraised in our office or by the telephone com- [fol. 3818] pany in some instances in these dates.

Q. Yes.

A. And in each case the unit costs on these properties are set up as to performance, gang performance, how much the man will do or what he is required to do.

Q. Yes.

A. Now, conditions, of course, have changed. Some of these reports were made in early 1910, '11, '12, '13 and from there on. Conditions have changed. Labor performance is not as great now as back in 1910, '11, '12 and '13; it is slower, and naturally the performance would be modified to that extent. You would have to absorb what you would term the inefficiency of man over that period. Now, the

only corrections that were made were to make such changes in the gang performance or the amount of labor that a man will perform today to bring those specific gangs down to 1925.

Q. Was any of that change which you made based specifically on the information reported to you by Mr. Dishinger?

A. In part, yes. As to what percentage of weight was given to it in the total I cannot say.

Q. Were the units increased or decreased as a result of his information?

A. The units pertaining to the other appraisal reports naturally were increased, because the labor performance or the amount that a man would do in the other detailed unit costs were more than what you can get out of the same man at the present time.

Q. You want to be understood as saying then that you did increase these unit costs which you say you have compiled from time to time specifically upon the information [fol. 3819] secured by Mr. Dishinger and imparted to you?

A. In part, I said.

Q. Yes.

A. And in part due to the lesser amount of work obtained out of a similar employee today as compared with 1913, '14 and '15 and prior thereto.

Q. You don't know, though, how much of the increase was due to Mr. Dishinger's information?

A. No, I can't say.

Q. How long on the average would it require to take a thirty foot pole from the pile in the pole yard, load it and fasten it on the truck and trailer in your judgment?

A. Well, it depends if you are loading from a pile or if you are raising it from a pile and putting it on a truck.

Q. I said from a pile.

A. If your roll way was so that the skids were level with the truck, why you could roll it on; one or two men could roll it on in a short time. If you are taking it out of a——

Q. Just a minute. You say a very short time; what would that require, five minutes?

A. Why over a length of ten to fifteen feet of roll way I should say that two men could roll on a thirty foot pole and fasten it to the truck in about ten minutes.

Q. About ten minutes. Now, go ahead, if you please.

A. Of course, you understand that that is not possible in each instance, because if you have a large number of thirty or thirty five foot poles piled up on a skidway it takes more time to roll them out, because it may bring the entire skidway down on top of your truck.

Q. Would you say that on the average it would require approximately ten minutes to take a thirty foot pole from [fol. 3820] a pile, load it and fasten it on the truck and trailer?

A. Yes.

Q. How long on the average do you believe it would take to unload a thirty foot pole from a truck and a trailer, get it off the street or clear it of the traffic wherever it is being unloaded and place it at the point where it is to be erected; about the same time?

A. Possibly, yes. That would depend upon your condition. If you had to—and your city requirements or ordinance. If you must dump the pole inside the curb line and keep it out of the street it may take a little longer. It all depends upon the conditions.

Q. Would it average as much as ten minutes?

A. I should judge it would on the average.

Q. About the same amount of time for loading and unloading as we have just been discussing would be consumed with respect to toll poles and exchange poles, wouldn't it, in so far as the loading and unloading is concerned?

A. That is providing the facilities were the same and conditions were the same.

Q. How many working hours are there in a day for telephone men; eight hours, aren't there?

A. I think your time is eight hours.

Mr. Burr: Yes. Mr. Spring may take the stand unless there is some redirect examination.

Commissioner Maullar: Do you want to ask any questions?

Mr. Burr: While the gentlemen on the other side are conferring, Mr. Commissioner, it occurs to me to suggest [fol. 3821] that while there are some exchange rate cases consolidated in the present case which are really a part of the original Ohio Bell-Ohio State Consolidation Case, which is No. 2367 on the dockets of the Commission, and thereby perhaps the proceedings in that case are a part of the proceedings in this case, it occurs to me to offer in evi-

dence the Commission's order in that case, that is in the original No. 2367 permitting the consolidation of the Ohio Bell and the Ohio State Companies.

Commissioner Maullar: In 1921.

Mr. Burr: Yes. It is the order of September 17th, 1921, and is offered in evidence marked for identification company Exhibit with the next consecutive number to the last company Exhibit offered in evidence. There are one or two already styled company Exhibits.

Commissioner Maullar: It may be admitted.

And thereupon the copy of order above offered was admitted in evidence on behalf of the Ohio Bell Telephone Company, and is herewith submitted marked company Exhibit No. —.

Redirect examination.

By Mr. McConnaughey:

Q. Mr. Dorsey, some question was asked you this morning about the presence of cable with different forms of insulation in this system; do you recall the question?

[fol. 3822] A. Yes.

Q. State whether or not your inventory includes and your appraisal also a consideration of all the different forms of cable that have been used in the system so far as shown by the inventory.

A. As far as shown by the inventory, yes; but the inventory if I may explain further only shows cable of the present code, that is single wrapped lead insulation; and I think some of the companies that were acquired by the Ohio State Telephone Company had double wrapped cable which is manufactured by a manufacturer other than the Western Electric Company; and also the cable ends in some of the offices or wool ends, that is, the cable is insulated with wool instead of paper; and some ends are silk and cotton which is more expensive cable than single wrapped cable. It is not shown in the inventory and therefore there was no allowance made. As to what amount there is in the plant, I do not know.

Q. Was that shown in the inventory or appraisal of the engineers for the company in their Exhibit?

A. It is not shown in the inventory, no, sir.

Q. Do you know whether or not it was considered in making the appraisal?

A. It was not considered by me in making the appraisal, and I can't say if it was considered by Mr. Williams or the company's engineers.

Q. You can't say that?

A. I can't say that.

Q. Well, do you mean you can't say because you don't know or——

A. I do not know.

Q. Would that affect the labor element of the unit price?

A. It wouldn't affect the labor element except in the case [fol. 3823] of wool ends. It costs more money to make a splice from the paper to the wool end cable, and also from the straight cable to the silk and cotton.

Q. How much difference would that make?

A. I can't say. I suppose it would add somewhere around twenty per cent to the labor.

Q. On those particular splices?

A. Splices, yes. As far as putting them in the cable it wouldn't make much difference except the wool ends would be in short lengths, and frayed out to take care of the entrance into the central office; and that would be also true of some of the silk and cotton.

Q. Have you any idea of to what extent this condition exists in the system?

A. No, sir.

Q. Is it a large item?

A. I don't see that it would be a very large percentage on the total reproduction cost new of the property, although I do not know.

Q. Do you consider that in the final result of the appraisal made by you in this case and by Mr. Hagenah that that element of difference has been taken care of in any way?

A. There would be only one possible place where it could be taken care of and that would be in the omissions and contingencies.

Q. Now, you have taken care of the cost of splices in the cable costs on the basis of a percentage of the material used?

A. No, it is on the basis of the total cable in place exclusive of the splice, including material and labor.

Q. Yes, I didn't state all the elements. And how does [fol. 3824] that method take care of any difference there may be in splicing a cable of large size or a greater num-

ber of pairs as compared to one with a smaller number of pairs?

A. It would only take care of it to the extent that the larger size or number of pair cable costs more for the material, costs more to put in place. The average which would reflect the percentage of the total cost of the splices and the total cable in place would possibly absorb some of those differences; that is, I can't tie down to any specific cable size the cost of the splice. I have taken the entire system, and the ratio that the splices bear to the cable in place.

Q. Well, the percentage that you use you have developed from experience in the exact pricing of a great many other properties as to this element?

A. Yes; in part the exact pricing, the splices in a part of the Ohio Bell Telephone Company.

Q. What part of the property of the Ohio Bell Telephone Company?

A. That is the inventory that was prepared of the Cleveland Telephone Company in 1912 to '13, in which the splicing was inventoried in detail.

Q. And since that time has there been any modification of that price, of that cost, from experience in other places?

A. Yes. I have priced out in detail splices for other telephone properties, and the costs, that is labor has gone up, and material has naturally gone up so the cost of making a similar splice today as in 1912 or '13 is considerably higher.

Q. And is that increase in price reflected in the percentage that you now use?

A. It would be reflected to this extent, that as the allowance of per cent relation of the total splice in place to the [fol. 3825] total cable in place, therefore that percentage relation would apply to the higher cost of cable and labor at the present time.

Q. State whether or not you have found anything in your experience of exact pricing of this element that has given you any reason to change the percentage relation which you have used?

A. There are some reasons, but I don't know as to what extent they would prevail in the plant of the Ohio Bell Telephone Company for this reason, that the procedure of practice of the Bell Companies is somewhat changed as to underground splices. In 1912 and '13 the underground splice which is a multiple was spliced clear through the total

number of pairs in the cable; at the present time there is a stub end spliced in to the larger sized splices to take care of any laterals that may be run from the line. This practice eliminates the necessity of opening up the large splice to splice in a smaller sized cable; and now that condition has only existed or practice has only been accepted in the last three years, I think.

Q. How would that affect the percentage?

A. That would affect the percentage to this extent; that there would be a slight addition due to the splicing in of this pigtail as it is called of several sizes of cable ranging in length, I think, from six to ten feet, and the cost of splicing that number of pair into the larger splice.

Q. Would that make any difference when it came to making that subsequent connection with that stub end?

A. It would lessen the cost of making the connection in [fol. 3826] the stub end to the extent that you wouldn't have to tear in or open up the larger splice.

Q. Yes. What is the net result then of that change in practice upon the percentage relation of this item to the total cost?

A. I can't say, Mr. McConnaughey, as I don't know the number of splices; I don't know what the percentage would be. It would be slightly greater if all the pig-tail or lateral connections hadn't been made, but if the lateral connections and the cable for such lateral connections was included in the total cable account, that splice in part would be taken care of.

Q. Do you know of any reason why this ten per cent relation of the cost of splicing should be changed in the case of the Ohio Bell Telephone at the time of your appraisal, or why that percentage should not be used?

A. No, sir, I do not. I want to make this modification, though, that, if the inventory had shown all the splices, that possibly we would not have arrived at the exact number of dollars that we do by using the percentage relation. It may be higher or lower.

Q. Now, what was the condition as to the inventory with reference to the splices that made it impossible for you to come to an exact conclusion about it?

A. The inventory prepared by the company didn't show by sizes the number of straight multiple or insulated splices in the company's system.

Q. Did the supporting inventory that was not filed here, but was finally made available for examination by Mr. Dishinger give that information?

A. It did for a part of the property, but not for its entirety.

[fol. 3827] Q. Do you know what part of the property it gave that information for?

A. No, sir, I do not.

Q. Now, in your study of the reproduction cost of this property state whether or not you considered that this property was to be reproduced by the force employed by the Ohio Bell Telephone Company for construction purposes?

A. No, sir, the Ohio Bell Company hasn't a sufficient number of employees or laborers to construct this property.

Q. What method of construction did you have in mind in building up your appraisal?

A. My method of construction was on the basis of building up an organization of sufficient number of gangs and starting in from no property whatsoever and building the entire property over a period of five years.

Q. How did you strike the average of the hourly wage that you used in these various calculations?

A. The average for the hourly wage, we found that there were a great many, for instance, linemen that were receiving different hourly rates for their labor. We struck an average of those classes that the greater number were employed by the company; that is, if there were only one or two 67½ cent men or possibly water boys as they may be termed, we didn't put that in the average. We used those in which the greater number of men were employed at the hourly rate.

Q. Is the average that you used a weighted average that takes into consideration the number of men of different wage scales who are employed on a given job?

A. Not for who are employed by the company—no, on a given job, yes; that is we took all the employees in that class.

[fol. 3828] Q. Then suppose you had ten men in a gang, would you apply the same rate of wages to each of the ten men?

A. We didn't have them by gangs; we had them by the total number of employees under the classification of linemen. They were not separated as to gangs; that is, there

were possibly 87 to in some cases as high as 120 men. Now, we averaged the men up on the basis of the wages they received of the greater number. That is, if there were three men receiving 37½ cents an hour we didn't take those into consideration at all. If there were twenty men that were receiving 45 cents an hour and 40 men receiving 53 cents an hour and 60 men receiving 85 cents an hour those were averaged in, but we didn't take the men where there were only three or four in some classes.

Mr. McConnaughey: That is all.

Commissioner Maullar: Is that all?

Mr. Burr: Just a moment.

Recross-examination.

By Mr. Burr:

Q. Now, if you had known that there was information available in Mr. Williams' office showing in detail the number of splices for a half or three quarters of the entire property would you have taken that into consideration in formulating your unit costs?

A. I would have considered it to this extent, that I would have checked it back to show or to find out the number of splices per thousand feet of cable.

[fol. 3829] Q. Yes. Now, when you said awhile ago in answer to one of Mr. McConnaughey's questions that something was not a large element, you were referring then to the silk and cotton, wool and rubber covered cable, and not to the double wrapped cable, weren't you?

A. Yes, that is true. I don't know what amount of double wrapped cable there is in the system. I do know that the specifications have eliminated the use of wool end cable and office end and silk and cotton to a certain extent, and your new exchanges didn't have that class of equipment in them.

Q. Yes. Now, if practically all of the cable in the Ohio State plant is double wrapped cable, that would have constituted quite a considerable element, wouldn't it to be taken into consideration?

A. I can't say how much it would be. There would be something there; it would be greater than what is shown in the report any way. As to the amount I do not know.

Q. Now, it costs more to splice double wrapped cable than single wrapped, doesn't it?

A. Slightly more, yes.

Mr. Burr: That is all.

By Mr. McConnaughey:

Q. If this property were to — reproduced at the present time would there be any double wrapped cable in it, do you think?

Mr. Burr: I object.

Commissioner Maullar: I think he may give an opinion on that.

Mr. Burr: Note an exception.

The Witness: Why the only theory of reproduction I know is reproducing the property as it is, and the elements [fol. 3830] of the property that are there. If I went into that there would be a great many items——

Mr. McConnaughey: That is all.

Mr. Burr: Have you any testimony to offer today?

Mr. McConnaughey: We haven't any that is ready for today. We have, I think, one or two witnesses which we had timed for presentation next week, anticipating that Mr. Burr would use more time than he has, and we haven't had time to get that in shape for presentation at this time.

Mr. Burr: We can use up a little of the time for you by the calling of one witness if you have no objection.

Mr. McConnaughey: That is all right.

[fol. 3831] And also FRANK STARR SPRING, called as a witness on behalf of the Ohio Bell Telephone Company, being duly sworn, testified as follows:

Examined by Mr. Burr:

Q. Will you give your full name to the stenographer, if you please.

A. Frank Starr Spring.

Q. What is your occupation?

A. Chief accountant of the Ohio Bell Telephone Company.

Q. I don't know how much qualification the gentlemen on the other side will require of Mr. Spring, but to be as brief as possible I will ask you to state in a general way your accounting and other experience having reference more particularly to the telephone business.

A. I entered the employ of the Bell Telephone Company of Pennsylvania June 1st, 1911, and was with them then

until January 1st, 1921, with the exception of one year in military service. During that time I had detailed experience in handling both the revenue accounting, disbursement accounting work, and I also had supervision over the routines prepared for the use of the revenue, disbursements, commercial traffic and plant accounting work; and I was also traveling auditor during this period, and most of the time I was supervisor of methods in charge of the work of the accounting department, on either the staff of the auditor of disbursements or the chief accountant.

On January 1st, 1921, I accepted a position as account- [fol. 3832] ant on the staff of the chief accountant of the American Telephone and Telegraph Company, and most of my work—I was with the chief accountant of the A. T. & T. Company for approximately two years, and my work consisted of furnishing advice and assistance to the various associate Bell companies in accounting matters.

Q. Are you familiar with—excuse me; go ahead.

A. The latter part of 1922 I was put in charge of the accounting work for the American Telegraph and Telephone Company's experiments in connection with radio broadcasting and in May, 1926, I was appointed secretary and treasurer and assistant manager of the Broadcasting Company of America; and on November 1st, 1926, I accepted my present position with the Ohio Bell Telephone Company as chief accountant.

Q. Have you access to the books and more particularly the accounting records of the Ohio Bell Telephone Company?

A. I have.

Q. Have you prepared an income statement for the Ohio Bell Telephone Company for the year ending December 31st, 1926?

A. I have.

Mr. Burr: It may be marked for identification Spring Exhibit No. 1, sheet No. 1.

Q. Have you also prepared an income statement for the company showing the improvement in net income from rates effective subsequent to January 1st, 1926, not reflected in the telephone operating revenues shown in line 7 of your sheet No. 1, and also showing the improvement in net income from contemplated service connection

charges, and *from contemplated service connection* [fol. 3833] *charges, and* from contemplated changes in private branch exchange rates, and from contemplated changes in other exchange rates?

A. I have.

Mr. Burr: It may be marked for identification Spring Exhibit No. 1, sheet No. 2, and the Exhibit consisting of the two sheets is offered in evidence.

And thereupon the Exhibit above offered is admitted in evidence on behalf of the Ohio Bell Telephone Company and is herewith submitted marked Spring Exhibit No. 1, sheet- 1 and 2.

Q. Now then, take sheet No. 1 of your Exhibit, if you please, and explain the different items commencing with item No. 1, showing the source of each item.

A. Item No. 1 covers the reproduction cost new of the plant and equipment of the used and useful property of the Ohio—and devoted to furnishing telephone service of the Ohio Bell Telephone Company as of June 30th, 1925, amounting to $130,280,722.

Q. In accordance with what exhibit in the case?

A. I can't refer to that exhibit. I do not know.

Q. It is one of the Williams Exhibits, is it not?

A. It is one of the Williams Exhibits.

Q. Yes. Proceed.

A. Item No. 2 covers the present condition of the plant and equipment of the Ohio Bell Telephone company as of June 30th, 1925; that is the reproduction cost new less the depreciation.

Q. Yes.

A. Amounting to $117,493,083.

Q. Also shown in one of Mr. Williams' Exhibits?

[fol. 3834] A. Yes, sir. Item 3 covers the working capital including supplies shown in Mr. Williams' Exhibit.

Item No. 4 covers the cost of establishing business. I should have said in 3 it amounted to $6,350,000—cost of establishing business amounted to $22,630,319. This is also in Mr. Williams' Exhibit.

Q. Brought down to date?

A. Brought down to date.

Q. Proceed.

A. Item 5 covers the net additions to plant and equipment from the date of the inventory July 1st, 1925, to June 30th, 1926, amounting to $11,711,703. This makes a total of items from 2 to 5 inclusive of $158,185,105.

Item 7 covers the telephone operating revenue for the year 1926.

Q. Where is that taken from?

A. That is taken from the books of the company, and amounts to $32,927,525.

Item No. 8, net non-operating revenue is also taken from the books of the company and amounts to $132,783. The total revenue being shown on line 9, amounting to $33,053,308.

Q. And those revenues are in accordance with the company's books, as I understand?

A. Absolutely.

Q. Proceed.

A. Do you want me to take each item of expense in detail?

Q. I will ask you this; are all of the items shown under the heading of telephone operating expenses and deductions, line 10 to 17 inclusive, taken from the books of the company?

A. Yes; and the total is shown in line 18 amounting to $26,133,803.

Q. And all of those figures beginning with line 7 and [fol. 3835] ending with line 18 are all showing the results of operation of the company for the year 1926?

A. That is correct. Line 19 showing the net income $6,926,505, this being a rate of return of 4.38 per cent——

Q. As shown on line 20?

A. As shown in line 20.

Q. Calling your attention to Spring Exhibit No. 1, sheet No. 2, the first three items are the same as items 1, 2 and 3 in sheet No. 1, are they not?

A. That is correct.

Q. And their source is the same?

A. Yes, sir.

Q. The next line, cost of establishing business, is what?

A. That is simply brought up to date as of December 31st, 1926.

Q. Yes.

A. The corresponding item on sheet No. 1 was brought up to July 1st, 1925. For the purpose of sheet No. 1 we only considered the net additions from the period July 1st, 1925, to June 30th, 1926, and for the purpose of sheet No. 2 we considered the net additions from July 1st, 1925, to December 31st, 1926.

Q. That amounted to how much?

A. Sheet No. 1, the item amounts——

Q. No, I don't care for that; sheet No. 2.

A. On sheet No. 2, item costs of establishing business amounts to $23,916,814.

Q. And what are the net additions of July 1st, 1925, to December 31st, 1926?

A. $19,802,870.

Q. The next line shows the total of the first five figures does it not?

A. No, it shows the total of items 2 to 5 inclusive.

[fol. 3836] Q. Yes, you are right.

A. And amounts to $167,562,767.

Item 7 is the same figures as shown in line 19 of sheet No. 1; that is the net income for the year 1926.

Q. Yes. Now, how did you arrive at the amount shown in line 8?

A. The amount shown in line 8 is the estimate which has been made of the net income which the company would derive from rates which were made effective subsequent to January 1st, 1926, which were not reflected in line 7 of this Exhibit.

Q. Explain that a little further, will you, please?

A. Why, during the year 1926 certain increased rates were made effective which did not apply or which were not in effect, rather, the entire year of 1926.

Q. Yes; and line 8 gives effect to those rates?

A. On the assumption—gives effect to those rates on the assumption of what would have happened if they had been in effect the entire year 1926.

Q. What about line 9?

A. Line 9 is the estimate of the improvement in the net income from the contemplated service connection charges figured on an annual basis.

Line 10 shows a corresponding improvement from the contemplated changes in private branch exchange rate figured on an annual basis.

Line 11 shows the improvement in net income anticipated from contemplated changes in other exchange rates which the company has proposed, figured on an annual basis.

Q. Yes. Now, those contemplated changes are covered, are they not, by the testimony of Mr. Cooper last March [fol. 3837] and by the Exhibit which he offered showing those contemplated changes?

A. That is correct. These are simply bringing them up to date.

Q. Yes. Now, the total——

A. Line 12 shows the total of lines 7 plus the amounts in lines 8, 9, 10 and 11, showing a total net income on annual basis amounting to $8,491,755. And on line 13 is shown the rate of return, 5.1 per cent.

Q. Have you familiarized yourself with that part of Hagenah Exhibit No. 7 which relates to Mr. Hagenah's computed allowance or annual surplus for the Ohio Bell Company, particularly page 49 where Mr. Hagenah uses 11 per cent of the interest and dividend payments for the year as a reasonable allowance for surplus?

A. I have.

Q. Have you checked Mr. Hagenah's table on page 48 of his Exhibit entitled "Disposition and net earnings of leading subsidiaries of American Telephone and Telegraph Company for the year ending December 31st, 1925"?

A. Yes.

Q. What is included in the first column entitled "Net earnings"?

A. The first column headed net earnings includes for the respective companies shown in the Exhibit the amount of earnings after the payment of all operating expenses and fixed charges except interest for the year ending December 31st, 1925.

Q. In other words they are the net earnings available for interest, dividends and surplus, are they not?

A. That is correct.

Q. What do the second and third columns represent?

A. The second column headed "Interest paid" repre- [fol. 3838] sents for the respective companies the amount of interest accrued for the year ending December 31st, 1925.

Q. Yes.

A. And the third column headed "Dividends paid" includes for the respective companies the amount of divi-

dends declared and chargeable to the earnings for the year ending December 31st, 1925.

Q. What does the fourth column entitled "Other disposition of income" represent?

A. This column, the amounts in this column headed "Other disposition of income" includes for the respective companies charges against the undivided profits or surplus for the year 1925, and in all cases represents voluntary transfers from the undivided profits for the year to the employee's benefit fund reserve.

Q. What is the employees' benefit fund reserve account, in brief?

A. The employees' benefit fund reserve account is a liability account set up to provide for sickness, accident, and pension payments to employees of the Bell system.

Q. Yes. What does the fifth column represent?

A. The fifth column represents that part of the undivided profits or surplus remaining after the transfers of the amounts shown in the preceding column headed "Other disposition of income" to the unappropriated surplus for the year 1925.

Q. Then the total annual surplus for the year consists of the last two columns, namely "Other disposition of income" and "Surplus"?

A. That is correct.

Q. Does it not?

A. That is correct.

Q. Why do you consider the amount involved in these transfers headed "Other disposition of income" to be un- [fol. 3839] divided profits or annual surplus?

A. Because in every case the amounts in these columns represents appropriations from the undivided profits or surplus for the year 1925 after the payment of interest and dividends, that is to say after the payment of interest and dividends the amount remaining from the net earnings is at the disposal of the company to do with as they see fit.

Q. Do you agree with Mr. Hagenah's calculation wherein he establishes the per cent. of surplus to interest, dividends and other disposition of income to be 10.82 per cent. shown on the last line but 1 of page 48 of Exhibit 7?

A. I do not, on account of the explanation I have just given of the column headed "Other disposition of income."

Q. What would be the correct calculation in your judgment?

A. In my judgment the correct calculation would be to divide the total amount of interest and dividends into the amount remaining after these two items have been subtracted from the net earnings, that is to say the amount of interest paid plus dividends paid should be divided into the total of the column headed "Other disposition of income" plus surplus.

Q. Yes. What would be the per cent. of surplus to interest and dividends on that basis, that is including other disposition of income as a part of the annual surplus?

A. On that basis it would amount to 15.9 per cent.

Q. Yes. Now, referring to Mr. Hagenah's table in the second half of page 49 wherein his so-called well balanced capital structure he uses a surplus provision of 11 per [fol. 3840] cent. of the disbursements for the interest and dividends, equal to .694 per cent. of such total disbursements, please recalculate that item using 15.9 per cent, instead of 11 per cent.

A. Using 15.9 instead of 11 per cent., it will be changed from .694 to 1.004.

Q. Well, wait a minute. You mean .694 per cent.?

A. Yes, .694 per cent. would be changed to 1.004 per cent.

Q. Yes. In other words it would make the allowance for surplus something over 1 per cent.?

A. That is correct.

Q. Of the amount of the total capital structure?

A. That is correct.

Q. What change would that make in the footing of the next line; that is to say to what would you change Mr. Hagenah's 7.011 per cent.?

A. To 7.321 per cent.

Q. Now, all of this is on the basis of Mr. Hagenah's theory, isn't it?

A. That is correct.

Mr. Burr: You may cross-examine.

Cross-examination.

By Mr. McConnaughey:

Q. That is upon the theory that this amount that has been appropriated out of surplus for workmen's benefit

fund may be withdrawn by the company at any time that they see fit?

A. No, it is not on that basis. It is on the basis that the amount remaining after the payment of interest and dividends is really part of the annual surplus of the company.

Q. But you have stated that it should be considered still [fol. 3841] in the surplus because it is still at the disposal of the company and may be withdrawn by them from the purpose for which it has been appropriated at any time?

A. No, not for that reason, I do not think. I include it in the surplus because, as far as the surplus earnings of the company is concerned, for a particular year, the actual surplus earned for the year is the total of those two columns, "Other disposition of income" plus "Surplus".

Q. But it can't be used as surplus unless it is withdrawn from the purpose for which it has been appropriated, can it?

A. Well, for the purpose of this—if I may digress a minute—for the purpose of this statement, as I understand it, Mr. Hagenah is simply determining the amount of surplus for these various companies for the year 1925; and there is no question but what the actual surplus for that year for those companies is the total of those two columns.

Q. But it can't be used as surplus without withdrawing it from the purpose for which it has been appropriated.

A. Not after it is appropriated.

By Mr. Burr:

Q. Well, it could have been before its appropriation, couldn't it?

A. Yes. I might add this——

By Mr. McConnaughey:

Q. Go ahead.

A. It is really done this way only for I might say accounting credits. It would have been just as easy and just as correct to have transferred the total of these two columns to unappropriated surplus and then made the appropriation from the total unappropriated surplus for those companies.

[fol. 3842] Q. Well, each of these companies is earning enough money to show this amount of surplus?

A. Yes.

Q. That is shown in this column?
A. For the year 1925.

Mr. Burr: Shows in which column?
Mr. McConnaughey: In these two columns.
The Witness: For the year 1925.

Q. How, in the practice of these companies, is this money that is set apart for workmen's benefit funds used?
A. The money itself is not set apart. It is exactly comparable with the reserve for accrued depreciation. It is simply a liability account and the money is invested in the plant and other things to carry on the telephone business.
Q. Are there any charges made against it?
A. The charge is made against it every year.
Q. What items are charged against this reserve account?
A. The benefit payments payable to employees of the respective companies.
Q. They are actually paid out of this fund?
A. No, they are paid out of the general funds of the company, but they are charged to this liability account.
Q. They serve to reduce the balance in these reserves, however, to the extent that charges are made against them?
A. At the time they are made. Of course, the reserve is restored through charges to operating expenses.
Q. Well, is this credit to this reserve carried as an operating expense?
A. The credit is not, no. Well, the credit—yes, I beg pardon; an estimated amount is charged to operating expenses and credited to reserve each month.
[fol. 3843] Q. Where does that appear in the operating accounts of the company?
A. In account 672, relief department expenses.
Q. Where does that appear in——
A. Under the general head of "General and miscellaneous expenses".
Q. Now, in your Exhibit 1, sheet 1 on line 4, the cost of establishing business $22,630,319; is that the same figure that was used in the Williams Exhibit?
A. No.
Q. In which the reproduction cost and the present condition figure is used?
A. No, it is not.
Q. How has that been adjusted?

A. The figure has been adjusted on the following basis; the per cent. which the figured used in Mr. Williams' Exhibit bore to the reproduction cost of the property as of June 30th was determined, and this same per cent. was applied to the net additions shown on line 5 to increase the amount shown on line 4.

Q. That is it was increased by the percentage which the net additions bears to the——

A. No, it is increased by the percentage which the cost of establishing business used by Mr. Williams in his exhibit bore to the reproduction cost new as of June 30th, 1925.

Q. As related to the cost plus the net additions?

A. Well, that per cent. was applied to the net additions.

Q. Yes. How do you get the figure in line 8, net non-operating revenue?

A. That figure was determined upon the same basis as that used by Mr. Cooper in his original Exhibit A-2 filed in this case.

Q. What was that?

A. That figure represents chiefly rents received on prop-
[fol. 3844] erty leased to others, less the expenses in connection with such property.

Q. It includes only rents?

A. Why, it includes a minor item of approximately $5400 which represents the supervision charge of custom boards.

Q. The figure in line 1 of $130,280,722; does that include work in progress at that time?

A. I think it does. I didn't testify to that. Just a second——

Q. Well, we can determine it by comparison?

A. I think I have——

Mr. Burr: Mr. Williams can answer that question.

Q. How about the figure in line 5?

A. That does include it.

Q. How much of work in progress is included in that figure?

A. I can't say. I haven't the data with me.

Q. In Morse Exhibit 12 which shows the net additions to property and plant from July 1st, 1925 to December 31st, 1926, which is the same period that you have covered there, there is an item of $6,832,134.51, the last item on that page given as construction work in progress. Can you state whether or not that is a correct figure?

A. Why, I can't state absolutely; but if Mr. Morse took his figure from the company's records it is undoubtedly correct.

Q. And that includes all of the work in progress of the company as it appears on the books of the company at that time?

A. If that figure is correct.

Q. Yes. Now, how did you get the figure on sheet 2 of your Exhibit 1 in line 4, cost of establishing business, which you give as $23,916,814?

[fol. 3845] A. On exactly the same basis as explained for line 4 of sheet No. 1, except the per cent. figure was applied to 18 months net additions instead of 12.

Q. What was the per cent. figure?

A. I do not know myself.

Q. Did you make that calculation?

A. I didn't make that calculation.

Mr. Burr: Mr. Snyder can tell you for the record.

Mr. Snyder: 15.9 per cent.

Q. Now, the figure in line 5, net additions to plant and equipment, July 1st, 1925 to December 31st, 1926, includes the construction work in progress at that time?

A. That is correct.

Q. Yes; and that, of course, appears in the total as well?

A. Yes, sir.

Q. Now, in line 8 I understand that what you have done there is to arrive at the figure which would have been earned by the company if all of the rates which were put into effect during the year 1926 had been in effect throughout the entire year?

A. That is correct.

Q. What basis was used in arriving at that figure as to the number of subscribers at different rates?

A. Why, I didn't make that estimate, of course, as that is a commercial function and I simply asked the commercial department to make that estimate on the same basis as was used in my previous estimates.

Mr. Burr: That is to say, as was used by Mr. Cooper in his testimony on the subject.

The Witness: That is correct.

[fol. 3846] Q. Well, you don't know whether they assumed the same number of subscribers at different rates through-

out the year, or some average number of subscribers throughout the year or something of that sort?

A. I do not know; but I feel certain they would take all factors into consideration.

Q. And the figures in 9, 10 and 11 which are based upon contemplated changes are changes in rates which are proposed in Mr. Cooper's Exhibit but which have never been put in the form of a schedule and made effective for collection by the company?

A. That is correct.

Q. Yes; and they are the estimates of collections that the company proposes to make effective as a result of the hearings in this case?

A. That is correct.

Q. So that the total net income that is given in line 12 is the company's estimate of what it would earn if all that it is asking for in the present proceeding were approved by the Commission and made effective as an actual rate?

A. That is correct.

Q. And that figure is $8,491,755?

A. Yes.

Q. Which is the net income which the company expects as a result of this case?

A. That is correct.

Mr. McConnaughey: That is all.

Redirect examination.

By Mr. Burr:

Q. Didn't the Ohio Bell Telephone Company make an appropriation to the employees' benefit fund exactly like that represented by the appropriations of the other Bell [fol. 3847] system companies shown in Mr. Hagenah's column headed "Other disposition of income" Exhibit No. 7 page 48?

A. For the year 1925?

Q. Yes.

A. That is correct.

Q. Yes. Did Mr. Morse, in his statement of the company's expenses and deductions count or consider as an expense or deduction, the appropriation of the Ohio Bell Company so made to the employees' benefit fund?

A. No.

Mr. Burr: That is all.

By Mr. McConnaughey:

Q. The practice of the Ohio Bell Company with reference to this fund is just the same, I assume, as that of the other companies to which you have already testified?

A. That is correct.

Q. As to setting up this reserve and setting up these charges against it?

A. That is right.

Commissioner Maullar: Is that all?

Mr. Burr: That is all the questions of this witness.

Commissioner Maullar: Is that all we have today? There was some time set for next week, wasn't there?

Mr. McConnaughey: Yes; Wednesday, Thursday and Friday.

Commissioner Maullar: We will recess the hearing then, until Wednesday of next week at ten o'clock.

And thereupon the further hearing of this matter was continued until Wednesday, February 24th, 1927, at ten o'clock A. M.

* * * * * * *

[fol. 3848] And also W. F. Sloan, recalled on behalf of The Ohio Bell Telephone Company, having been heretofore duly sworn, testified as follows:

Examined by Mr. Burr:

Q. At a previous hearing in this case, Mr. Sloan, you were asked with respect to certain differences appearing in your so-called toll rate appraisal and in your Company-wide appraisal, and in that connection let me ask you, first, whether there has been any change in the cost of the telephone labor and material involved in the construction of toll pole lines between September 30th, 1923, the date of your toll appraisal, and June 30th, 1925, the date of your Company-wide appraisal?

A. I think, before I answer that question, Mr. Burr, that I owe everybody more or less of an apology for not having my toll notes here at that time. I am very sorry that I was not able to answer certain questions at that time, and since that time of course I have gotten my toll notes and have them here.

Now, in direct answer to your question, yes, there has been a very marked change in the price of poles and in pole line labor between September 30th, 1923, and June 30th, 1925. On the average, poles have decreased about 28 per cent between those two dates.

Q. That is, poles and crossarms?

A. Poles and crossarm material, yes, sir.

[fol. 3849] Q. Proceed.

A. At the same time toll pole line labor has increased about 19½ per cent. Now the explanation of that increase in toll labor is this; at the time of the toll appraisal in o923 the Company practice was to pay the men about 40 cents an hour. The productive hourly rate was slightly over 40 cents; they paid them an average of $2.00 per day for board, which amounted to about 31 cents per productive hour.

In November, 1924, the Company revised that wage schedule and put them more nearly on the basis of the exchange men; that is, they paid them upwards of 72 cents, as I recall, and then paid a smaller amount of board than they had been in the habit of paying in the past, so that it more nearly equalized the exchange and the toll men.

It is that change that makes the difference of 19½ per cent that I have just stated.

Q. Has the average reduction in pole and crossarm costs referred to in your previous answer been uniform with respect to each size of pole?

A. No. Poles on the average have decreased about 28 per cent. Now I obtained that figure by applying the present-day prices to the toll inventory and then compared that with the 1923 prices applied to the same inventory. Individually they have changed from—about 21 per cent is the smallest reduction and about 43 per cent is the largest reduction.

Q. Will these various changes in the labor and material costs for the different sizes of poles cause some of your 1925 units to be greater than those used by you in 1923 and cause [fol. 3850] some of your 1925 units to be less than those used in 1923?

A. Yes, that is true for this reason; there is a constant increase on labor and a varying degree on material. Now the final unit of course is a composite of both labor and material, and it actually results in two or three sizes of poles being at a higher cost in 1925 than they were in 1923, and

some of the poles being lower; but the net result is a reduction.

Q. What effect would these changes have upon the appraisal of the toll poles appraised by you in 1923 in the tollcase?

A. That is, you mean the composite reduction of material and the increase of labor?

Q. Yes.

A. Well, that would reduce; if you will refer to my toll report you will find they were priced in 1923 at $8,301,193.00. Now those changes should reduce that to $8,117,225.00.

Q. What result would you get by applying your 1925 pole units to the 1923 inventory?

A. That gives a result of $8,122,755.00.

Q. Making the two totals compare how closely?

W. Well, it is unbelievably close.

Q. I mean in per cent?

A. Well, it is less than one-tenth of one per cent. The actual figure is 99.932. It is somewhat less than one-tenth of one per cent that the two appraisals checked.

Q. What method did you use in appraising the toll aerial cable and loading coils in the 1923 toll appraisal?

A. In the 1923 appraisal we were asked to do this work in [fol. 3851] a very short space of time. We came on the work in January, the 14th, I believe, and were asked to get the appraisal ready by about the middle of February. So, in order to quickly get the correct costs of the toll cable, I examined around about $300,000.00 worth of work; $380,069.00 worth of work that had been completed in two or three years prior to September 30th, 1923.

Q. What kind of work?

A. It was toll aerial cable that had been done jointly by The Ohio Bell Telephone Company and The American Telephone & Telegraph Company.

Now by reference to my 1923 testimony you will probably recall that I pointed out some of the difficulties in erecting toll cable, now it differed from ordinary exchange cable in its method and cost of erection. I recall that I discussed that to some extent.

Now, to find the actual cost in 1923 of that work that had recently been done, I took those actual costs and divided the total expenditures of dollars by the pair feet of cable that had been erected and made a more or less arbitrary apportionment of the labor between cable and loading coils. The

entire work of cable and loading coils was of course all done at the same time.

Now the result obtained at that time was of course accurate because, after I had followed that procedure, I corrected the material and labor for the date September 30th, 1923, and——

Q. Let me interrupt you a moment. How many pair miles of cable did you take into consideration in your [fol. 3852] analysis?

A. Well, there were nearly 9000 pair miles of cable and 41 loading coils involved in the work, which I studied.

Q. Proceed.

A. Now that method was accurate because it was based on the actual costs in a wholesale manner of work of what was at that time rather a new type of construction. The use of toll cables is a comparatively recent development.

Q. You speak of actual cost; the actual cost to what company?

A. To The Ohio Bell Telephone Company and The American Telephone & Telegraph Company.

Q. Just what method did you follow in making that analysis?

A. Well, briefly, as I described, we divided the total cost of the work by the pair feet of cable and got the unit cost per pair feet of cable, which we then apportioned between labor and material.

Now the net effect of that of course was this; it gave rather a low cost on the small size of cable and rather high costs on the larger sizes of cable. The total, of course, would come out accurately, because it was based on the actual cost.

Now in the 1925 appraisal I had a much more extended time to prepare the appraisal, and I had a very greatly increased amount of data to base my unit costs on. What I did was to take part of the labor which had been apportioned to the load coils and put it over with the cable, and reduced the labor on the large sizes of cable and increased the labor on the small sizes, the effect being to bring out the same [fol. 3853] answer at the end after taking into consideration any changes in labor and material between the two dates.

Q. Now you applied those units against the quantities shown in the inventory after adjusting the costs to the current base, did you not?

A. Yes.

Q. Why did you use the method which you have just described?

A. In the toll case? In the 1923 case?

Q. No, I am talking about the 1925 case.

A. Well, in the 1925 case—of course I have appraised several hundred million dollars worth of property since that time, in which I had an opportunity to study the actual costs of toll cable, and the only difference between the two appraisals is the apportionment of labor between the different kinds of plant. The net result comes out the same.

Commissioner Maullar: Mr. Sloan, did you make that statement, that you had appraised several hundred million dollars worth of property since 1923; was that your statement?

The Witness: Yes, sir; I appraised all The New England Telephone Company's property, and all of The Chesapeake & Potomac Telephone Company's property except Virginia, and the Cincinnati property. I imagine it amounted to 300 million or 400 million dollars. It was a lot of property.

By Mr. Burr:

Q. I understand you that the two methods that you used, that is to say, the one in your 1923 and in your 1925 ap- [fol. 3854] praisals respectively, do not differ in any essential respects?

A. No, the net effect of the two would be, if it is properly done, should check very closely, although if you compare individual units you will find some rather wide differences on individal units, because, as I stated, the labor on the larger size cable has been reduced and on the smaller size cable has been increased, and at the same time some of the labor which was apportioned to the loading coils was put into the cables.

Q. Has this revised method applied by you in the case of your 1925 units reduced some of the 1925 units below those shown in the 1923 appraisal and increased other units above those shown in the 1923 appraisal?

A. Yes; the effect is that on any cable about 270 pair equivalent, that is in all of these quadded and composite cables, about the only way you can determine its size is to reduce it to its equivalent size as compared to 19 gauge cable.

The effect of the two methods has been this, that in cable where the composite size or the equivalent size is greater

than 270 pairs, it has been reduced, and in cable below that has been increased, because both units follow smooth curves, but they cross at 270 pairs.

Q. You have been talking about toll aerial cable; have you used approximately the same method in connection with underground cable?

A. Yes, the method is the same in both cases.

Q. Has there been any marked change in the cost of cable and labor between September 30th, 1923, and June 30th, 1925?

A. Cable on the average has increased about six per cent. [fol. 3855] The actual figure is 5.8 per cent between the two dates. During the same period the exchange labor—the kind of labor that is used for erecting cable, has increased slightly less than eight per cent. Now the reason that there is a discrepancy or a difference between the increase of toll labor and exchange labor is this thing that I pointed out a few minutes ago. Toll line gangs were of course increased to equalize them with the exchange gangs and the increase in the exchange work has just been the normal increase in labor between those two dates.

Q. Has the increase in cable material costs been uniform with respect to each size of cable?

A. No, it has not. The same situation prevails in the case of cable as prevails in poles, although the difference is not so great. As I recall, I stated on poles the difference was about 21 to 43 per cent variation on the different sizes. In the case of cable the variation is from three per cent to about eleven per cent on the different sizes.

Q. After giving consideration to the changes in material and labor costs recounted by you, do the results shown in the two appraisals,—how nearly do the results shown in the two appraisals agree?

A. Practically as close as that in the case of poles; they check within two-tenths of one per cent.

Q. How did you determine that?

A. I first applied the 1925 units——

Q. To what?

A. To the 1923 inventory.

Q. That is the toll inventory?

[fol. 3856] A. Yes; I am speaking of the toll. The units that I used in the State-wide toll case, or in the State-wide case on the toll property, I have applied to the old inventory

that was used in 1923, and then compared that with the result of the 1923 inventory after changing the material 5.8 per cent and the labor 7.8 per cent.

Maybe I can review that; I applied the 1925 units to the 1923 inventory; then I compared that result with the 1923 appraisal after changing the material 5.8 per cent and the labor 7.8 per cent. I think that makes it a little more clear.

Mr. Postle: Did you apply, Mr. Sloan, those units to the entire accounts?

The Witness: Yes, I priced every item out. There is another change too that I have not mentioned. Loading coils have dropped about 3½ per cent, and on the whole hardware and messenger, etc., have dropped about 18 per cent.

By Mr. Burr:

Q. Have you found any other changes in either appraisal which should be pointed out?

A. Well, yes; there are two cases of cable—one that I recall specifically—that were described the same in the two reports. One of those is one that Mr. McConnaughey asked me about at the other hearing.

May I have a copy of that toll appraisal?

There was one cable that was described—a portion of the composite make-up was described in one report as 51 quads and in the other report it was described as 51 pair.

Now we priced them in each appraisal as they appeared. [fol. 3857] The item is small; there was only 13 feet of it; but it is just only one of those unfortunate things that happen occasionally.

It is on page 15 of my toll report if you have copies there.

In here you will find 13 feet of cable described in the toll report as 8 quads of 13 gauge, 48 quads of 16 gauge and 51 quads of 19 gauge.

Mr. Postle: At what page of the exhibit, Mr. Sloan?

The Witness: Page 15. Now evidently it is the same piece of cable because it is still 13 feet in the State-wide case, and was described as 8 quads of 13, 48 quads of 16 and 51 pairs of 19. Now that difference in description is quite a vital thing because it makes a very considerable change in the price.

By Mr. Burr:

Q. The second description appears at page 111 of your appraisal in the Company-wide case?

A. Yes. Now that is one of the items that Mr. McConnaughey asked me about and which I was unable to explain at the time.

Q. Are there any other changes to which you should refer?

A. Well, there was another cable but I don't seem to find it now. It was unimportant because the feet involved were very small; but there was another cable where that same discrepancy in description appeared in the two reports.

Now there is another important item that I will have to confess to. We left about $1750.00 of labor out on some aerial cable. In making up my units for the cable to cor- [fol. 3858] rect for the labor and material, I find, when I refer to my toll notes, that there were certain items on one page where a total column had been drawn which represented only material. Now when we come to take those units off and apply them to the inventory we never put the labor portion in. Now I figured that labor out and it actually amounts to $1748.00 of labor that was omitted in the toll report.

Mr. McConnaughey: As applied to the aerial cable item?

The Witness: Yes. I would like to at least submit this report—this notebook—to show how that happened. If you will look at it, Mr. McConnaughey, you can see what happened.

Here is the way we started in to make up the units for each kind of cable. We drew the total for material and then put the labor item in and then the total cost in place. That is one group of cable, and here is the composite cable. We got over to this item and we just took that total item and did not fill out the labor.

Now that explains a number of cables that you pointed out in the previous case where the units appeared to be very low. I am very sorry it happened, but it did.

Mr. McConnaughey: I don't understand what is left out here?

The Witness: Well, you see here, take this page; there is the total for material; see? And there is the labor

column and the total of both. In this page we stop at [fol. 3859] this point (indicating).

Mr. McConnaughey: I see; you did not add the labor at all?

The Witness: We did not put that labor in. Now fortunately these are all very small amounts of cable. The total amount of that labor left out is only $1748.00.

Mr. McConnaughey: What should you have added? I am looking at this page you have shown me and call your attention to the first line, in which you have the item "5 pair 14 gauge"; now what should you add to the total of $213.13 that you show as the total in the 9th column there?

A. Well, that is the equivalent of about 16 pairs of 19 gauge and it should have taken about 48 or 49 dollars; there should have been about $48.00 added in this column here.

Mr. McConnaughey: And what would that then represent?

The Witness: That would have represented the total cost of that cable in place on the basis that I priced it at that date.

Mr. McConnaughey: Well, what would that $49.00 be? I don't understand you at all.

The Witness: Labor. This is purely material.

Mr. McConnaughey: All right.

By Mr. Burr:

Q. Have you any other instances of changes which should be called to the attention of the Commission?

A. Yes, there is another item of about $370.00 in a load coil. There is a load coil described as a 31 A case containing [fol. 3860] 43 No. 581 coils; there is no such combination as that; that kind of coil is not made. It is evidently an error in description.

Mr. McConnaughey: You priced it just the same?

The Witness: Yes, we estimated the price from the nearest price we could get. Now that is a jointly owned load coil. The price of the coil that that evidently should have been would have cost about $2150.00, but the Company only owns a very small part of it, so that the error involved is only $370.00. That is evidently an error in description.

Commissioner Huffman: That was an omission?

The Witness: No, it was not an omission. We priced it; we tried to get the nearest equivalent; we estimated what we thought was intended for that coil.

Commissioner Huffman: But it was $370.00 too low?
The Witness: Too low; $370.00 too low; that is right.

By Mr. Burr:

Q. Has there been any change in the cost of copper and iron wire between September 30th, 1923, and June 30th, 1925?

A. Yes, sir, copper wire has dropped about four per cent between those two dates. Now that difference of four per cent is not due so much to the change in the base price of copper between those two dates as it is due to the fact that the factories changed their drawing differential; that is, by "drawing differential" I mean the factor that is used by manufacturers to arrive at the selling price of copper [fol. 3861] using the ingot price as the base.

Q. By what amount would that factor affect the reproduction cost new of the wire shown in the 1923 toll appraisal?

A. Now I have not calculated that for copper alone, but at the same time there has been about an 18 per cent drop in the case of iron wire. Iron wire dropped 18 per cent between those two dates. Now the combined difference or reduction due to the change of per cent in copper and 18 per cent in iron represents a reduction of $124,710.00.

Q. You made that reduction in your 1925 appraisal, did you not? That is, you took that into consideration?

A. Yes.

Q. Have you applied your 1925 toll wire unit to the 1923 toll inventory for the purpose of comparison?

A. Yes; first I deducted that $124,000.00 from the 1923 appraisal, which left an amount of $42,411,854.00. Now if you apply the 1925 units to that same inventory you get a result of $3,838,182.00. That is, I am lower in the 1925 appraisal than I was in 1923 even after deducting that change in the price of material.

Q. In other words, as I understand it, in the 1925 appraisal you took into consideration and made allowance for the reduction in the cost of wire occurring between the 1923 and the 1925 appraisal?

A. Yes, that is true.

Q. Have you examined any of the detailed unit costs submitted by Mr. Hagenah as a part of his testimony in this case?

A. Yes, I have.

Q. Have you read that portion of his testimony in which [fol. 3862] he makes the statement that his unit costs are lower than those used by you because he has assumed mass production while you have used piecemeal performances?

A. Yes; I read that statement.

Q. Do you agree with it?

A. I do not.

Q. Will you give your reasons?

A. Well, in the first place my units are based on over $50,000,000.00 worth of construction that was done in four years.

Q. Construction done by whom?

A. By The Ohio Bell Telephone Company in four years preceding the date of this appraisal.

Q. Do you mean the appraisal in the Company-wide case?

A. Yes.

Q. Proceed.

A. Now under no stretch of the imagination can $50,000,000.00 worth of work be done in four years on a piecemeal basis.

That is one reason why I do not agree with Mr. Hagenah.

Now the second reason is that a very large part of the difference between our units is not due to any shorter length of time required to do the work, as you might imply from the statement that my work had been done on a piecemeal basis. A very major part of the difference between us is due to the fact that he has used a lower wage rate.

Q. Lower than what?

A. Than I have used, and lower than the actual experience of the Company.

Now as I analyzed Mr. Hagenah's unit costs which he submitted, he has made no allowance for that direct super- [fol. 3863] vision which is carried on the books of the Company under Account 711.

There has been no allowance whatever in his units for that sort of supervision. And, as I analyze the units, there has been no allowance whatever for lost time or vacations or delays due to storms, accidents or bad weather or anything of that sort.

Now here is the situation. In a State as large as Ohio, serving about 250 communities, they do not have exchanges in all those communities, but their toll lines run into that many and they have over 150 exchanges. It is inconceivable

that you could move exchange men from one community to another to reproduce this property without some allowance for board and travel and that you would have lost time. It is also inconceivable that you would not have delays due to storms and accidents and bad weather.

Now I have examined the base wage rate for telephone companies all over the United States and I find that this item—those two items of direct supervision and lost time vary from 20 to 30 per cent of the actual wage rate, no matter where you go.

Cincinnati had the same thing; The New England Telephone Company had it; The Chesapeake & Potomac Company had it, and this Company has it, and it is a very considerable item and it is a thing that affects the cost of reproduction of a property to a very marked extent.

Q. What did I understand you to say to be your judgment as to the proper allowance for items of lost time, vacations, [fol. 3864] delays due to storms, accidents, bad weather and for the direct supervision embraced in Account 711?

A. Well, it varies from 20 to 30 per cent. It is not a fixed amount in any one company. It varies from 20 to 30 per cent of the actual base wage rate.

Q. Have you analyzed any further the unit cost details suggested by Mr. Hagenah?

A. Yes. Now take this case; Mr. Hagenah submitted a sheet containing his details of cost of erecting one mile of exchange wire. He has taken exactly the same number of hours to do this work that I have. The difference in labor is due to the fact that his composite wage rate is about 63 per cent——

Q. Per what?

A. Per man hour, whereas the figure that I have used is 80½ cents.

Q. Where did you get that?

A. That is the actual wage rate of the Company for that class of work. That is taken from the actual payrolls of the Company.

Q. Have you noted any other instances where the differences between your units and his are due to a lower wage rate only?

A. Yes; I might state in that case, the difference in labor between us on that item is 100 per cent and is due to a lower wage rate. Take the case of aerial cable; 56 per cent of the

difference is due to the lower wage; in exchange poles 64 per cent is due to a lower wage rate; in underground cable it is 22 per cent; in toll poles it is 32 per cent.

Q. Now I think you said in the case of exchange wire it was 100 per cent?

A. 100 per cent.

[fol. 3865] Q. That is to say, the difference in the wage rate applied by Mr. Hagenah and that applied by you and reflected in the actual experience of the company is these per cents which you have named?

A. Yes. What I am trying to point out is that the difference between us is not due to the assumption of mass production as against piecemeal production, but it is due to a difference in the use of wage rates. My wage rates that I have used are actually those based on the payroll of the Company, and I am prepared to submit the actual payroll and the actual hours to show the manner in which the wage rate was determined.

Q. Have you noted any differences in the material costs used by you and Mr. Hagenah respectively?

A. Well, it is rather difficult to completely analyze Mr. Hagenah's units because the material is described under one item of material but it would appear from an examination of Mr. Hagenah's cable units that there has been no allowance for the double wrapped cable or for the silk and cotton cable.

Q. As against what?

A. As against the straight commercial cable, single wrapped cable. It is a fact that this Company has a very considerable amount of the double wrapped cable and of the silk and cotton cable.

Q. And the costs for that kind of cable are greater or less than that for single wrapped cable?

A. Well, they are considerably greater.

Mr. Burr: You may cross-examine.

[fol. 3866] Cross-examination.

By Mr. McConnaughey:

Q. How do you get at the conclusion that 32 per cent of the difference between you and Mr. Hagenah on toll poles arises from the fact that he has used a different wage rate than the Company experiences?

A. I think I have the calculations right here, Mr. McConnaughey. Here is a copy of Mr. Hagenah's report. Which poles did you ask for?

Q. The toll poles?

A. I have in my hand a sheet which I understand is a copy of the detail for a 30 foot toll pole that Mr. Hagenah submitted as an exhibit in this case.

Now on that sheet he sets out the cost of the material as $10.141, and then in succeeding lines on the page he describes the number of laborers to do each kind of work; for instance, to unload the poles; he assumes six laborers and a sub-foreman can unload 80 poles in a day; he also shows the tool expense and he shows the—well, that is all on that particular item.

On the next item, of hauling and distributing, he assumes that six laborers and one foreman and a truck with a driver can haul and distribute 40 poles in a day; and so on, for the various operations involved in the erection of the poles.

I have simply taken the number of men at eight hours per day and determined the number of hours that Mr. [fol. 3867] Hagenah has used in arriving at the erection of this kind of a pole, and then I find out how much of that is due to the difference in hours and how much is due to the difference in wage.

You will note here that he figures the laborers at 50 cents an hour and the sub-foreman at 55 cents and a general foreman at $8.00 per day.

Q. Except for the wage rate that was used, and possibly the hours of performance, the methods that you and he used were the same, were they?

A. No, sir, they were not.

Q. What was your unit price for that size of pole?

A. For a 30 foot?

Q. Yes.

A. My unit was $28.36.

Q. And what was Mr. Hagenah's unit?

A. $20.258.

Q. That is a difference of $8.102?

A. Yes.

Q. Now you say that 32 per cent of that difference was made up of what?

A. Of lower wage rates; I think that is the figure I quoted, 32 per cent.

Q. And that $2.59 of that was made up of lower wage rates?

A. Yes.

Q. Now what different wage rate did he use from what you used?

A. Well, you see he used a number of different wage rates; 50 cents for his laborers, 55 cents per hour for his sub-foreman——

Q. And what did you use for laborers?

A. I used a composite wage rate determined from the books of the Company.

[fol. 3868] Q. How did you determine that composite wage rate?

A. I took the total payroll for the year and divided it by the total hours.

Q. That is the total payroll for what?

A. For toll line construction gangs.

Q. And that included men working at various rates of wage?

A. That is right.

Q. Did it take into consideration the number of men at one particular rate of wage that might be employed on a given job as compared with other men at the different rates?

A. It took the total payroll for the State, Mr. McConnaughey, all kinds of men engaged in toll line construction.

Q. And they——

A. I have quoted the wrong figure. It is not 80½ cents; on toll line it is 75.2 cents, on toll.

Q. Now that you got by dividing the number of man hours——

A. Into the payroll.

Q. Engaged in pole line construction, into the total payroll for pole line construction?

A. That is right.

Q. And it is not weighted according—to show or to give effect to a larger or smaller number of men at any given wage, but it reflects the average of all at any wage; is that right?

A. That is right. The Company has constantly a large construction force. Let me show you the figures——

Q. Well, just a moment——

Mr. Burr: Let him finish his answer.

[fol. 3869] Mr. McConnaughey: Well, he is volunteering something.

The Witness: I do not want to volunteer anything you do not want.

Mr. McConnaughey: Now you have disturbed my line of thought and I am all at sea.

Mr. Burr: I am sorry.

Q. The Company had a number of different rates of wage applying to pole line construction, did it not?

A. That is true.

Q. What different wages did they have—rates of wage?

A. Well, I did not go into the different wages. I take it you are asking as to the specific amount paid per hour to the men?

Q. Yes, to classes of men.

A. I did not look into the individual rates but I assume that Mr. Hagenah has taken those figures. I assume that the figures that he has used are undoubtedly the rates per hour that the Company pays.

Q. Well, then let us get at that a little bit. In this sheet that you have before you, under the head of "Labor", sub-head "Unloading and handling", it shows six laborers at 50 cents per hour, one sub-foreman at 55 cents per hour; now you do not question but what that is the rate of wage that that class of men got?

A. I do not doubt but what he has taken that right from the figures but it don't contain any of the 711 supervision that I am telling you about, nor does it——

[fol. 3870] Mr. Hagenah: Just what does that account cover, Mr. Sloan?

The Witness: Nor does it contain any allowance in there for lost time.

By Mr. McConnaughey:

Q. Then you have not any criticism to make of the actual wage rate that Mr. Hagenah has used excepting that his total labor unit does not include, as you say, these overhead items or direct supervision under Account 711 and lost time?

A. Yes.

Q. And you do not criticise the actual wage rate that he has used?

A. I do not criticise it because I do not know; I assume that is where he got those figures.

Q. You do not mean to say, when you say this difference arises from the difference in the wage rate, that it is because Mr. Hagenah has used a different wage rate from what the Company paid the men?

A. What I am criticising is this——

Q. Well, just answer the question; you do not mean to criticise him for having used a different rate of wage per hour for the men who were employed on this job than what the Company paid?

A. You are putting a question in my mouth, Mr. McConnaughey. What I object to is that he has used a wage rate that does not contain the allowances which I speak of.

Q. What you said was that he had used a different rate of wage. Now you do not mean to say that he has not followed the practice of the Company as to the actual rate of wages per hour that they paid the men; your criticism [fol. 3871] comes further along in his set-up?

A. I will put it this way; what I object to is his use of a productive hourly rate which is lower than the actual experience of the Company.

Q. What do you mean by that; what is the productive hourly rate that you have in mind?

A. The productive hourly rate is the productive hours spent in doing work divided into the payroll.

Q. Now in arriving at the total payroll which you have used in making that calculation what items have you included?

A. The base wage rate, the salary and the 711 supervision.

Q. By the base wage rate you mean——

A. Well, if you pay a man $4.00 per day if he works full eight hours it would be 50 cents an hour, but if, due to lost time or rain or accidents, he only works five hours, it would be 80 cents.

Q. What you actually took was what was shown by some account on the books of the Company for a certain item of wages, wasn't it?

A. It was the total payroll for the year.

Q. The total payroll for the year of all men engaged in wire construction or pole line construction?

A. Yes, sir.

Q. And that you think would include whatever losses had actually been met for this time when they had not worked?

A. That is right.

Q. Now that included the wages of the men who were actually engaged in toll pole line construction, and what [fol. 3872] amount of supervision?

A. Well, now, I don't think we have just what that is. It is ordinarily between nine and eleven per cent, but——

Q. Well, wait a minute; you took a certain figure from the books of the Company as the total of the pole line construction wages; now what was that figure?

A. Have you got those total payrolls there? The figure that we have here which applies to the first six months of 1925—as you recall, that change in wage rate took place in November, 1924; the payroll for the first six months of what is classified as "T" labor—that means toll line labor—that is, $86,149.00 was the payroll, and the productive hours was 114,592 hours; that should give a result of 75.2 cents per hour.

Q. And that is the wage rate that you used in your unit cost for toll pole line construction?

A. That is correct.

Q. Now what does that total of $86,149.00 include; what class of labor and what kind of supervision; if any?

A. It includes only men engaged in toll line work; now I haven't the exact figure for supervision but it is approximately 10 per cent.

Q. Well, is there ten per cent included in that figure of $86,149.00——

A. Yes.

Q. For supervision—by the percentage?

A. Yes. I don't think we have taken off the base rate where that figure is shown, but it is about ten per cent as I recall, from the investigations we made at the time we took this off.

[fol. 3873] Q. Where did you get that $86,149.00?

A. From the plant accountant of The Ohio Bell Telephone Company.

Q. Was that the amount that he gave you?

A. Yes—well, he did not give it to us; he turned the books over to us and we took it off.

Q. Now did the books of the Company show a certain amount and then ten per cent added to it for this supervi-

sion item; or did they show two items, one for supervision and one for the base rate of wages from which you calculated the ten per cent?

A. As I recall the figures now, I think it showed the wage and then the supervision added on as an item.

Q. Can you tell us what those amounts were?

A. No, I cannot give you the figures. It is approximately ten per cent though.

Q. What is included in this 711 account that you speak of?

A. Well, briefly it is what we call the division foremen and their staff. That is, the general supervision which both Mr. Hagenah and I have included is the indirect supervision of the operating and construction organization. We have both included that; perhaps not always in the same degree but it is both included; we both included it. But that supervision which is represented by division construction people who supervised the work in the various districts of the State, and their office staff and their expenses, is carried on the books of the Company under this construction account No. 711.

Q. And that was shown to you by the accounting force of [fol. 3874] the Company at a figure which was—which added ten per cent to the direct labor cost?

A. Well, about ten per cent. I am quoting somewhat from memory on that percentage. It is about ten per cent. But assuming it is ten per cent it would be—to get the payroll you would divide $86,149.00 by 110.

Q. Now in this sheet that you have, which is supposed to represent Mr. Hagenah's labor cost on a 30 foot pole——

Mr. Burr: Do you question the accuracy of the sheet, Mr. McConnaughey?

Mr. McConnaughey: No, I don't know anything about it; I am taking his word for it. I used that form of question simply to quote him.

By Mr. McConnaughey:

Q. He shows an item of supervision, 17 per cent.

A. Yes, sir.

Q. Which is 17 per cent of the direct labor, as I understand?

A. That is the item that we both included. That is the so-called indirect supervision which is represented as I re-

call in Account 706. Now we both included that although not—the figure that I have used for that is 22 per cent.

Q. And you think that there should be added on top of that 22 per cent which you have used another 10 per cent to cover this supervision as covered by Account 711?

A. No, not added on top, Mr. McConnaughey. What should be done is to put the actual cost of this supervising foreman that the Company cannot get along without; they [fol. 3875] could not operate this State, large as it is and scattered over 150 exchanges, without some supervising people in the field. And it is certainly unfair to leave that item out.

Q. Now you are familiar with the organization of The Ohio Bell Telephone Company, the plant force; what particular officials do you say Mr. Hagenah's method has left out of the calculation of his labor costs?

A. Well, it would be—I don't know as I would call them officials; it would be those people who are engaged in the direct divisional supervision located in the divisional offices.

Q. Well, I don't think that answers my question, Mr. Sloan. Who, in the organization of the Company, as you understand it, are omitted in this Hagenah set-up?

A. Why, I just told you, Mr. McConnaughey.

Q. Can't you name those men by their titles that they have in the organization of the Company?

A. Well, division superintendents.

Q. Division superintendents?

A. Yes, and their staff.

Q. How many division superintendents do they have in the organization of The Ohio Bell Telephone Company?

A. I think it is four or five.

Mr. Burr: You are talking about district or division superintendents?

The Witness: I say there are four districts, as I recall, the North Division—North District, and the South—what are those four? I cannot recall the names of them. Let me have that other book with that division set-up in it. Mr. [fol. 3876] Cook tells me it is North, South, East and West, are the four operating divisions.

By Mr. McConnaughey:

Q. Now are those division superintendents devoting themselves particularly to construction matters?

A. Largely. Such part of the time as is not devoted to construction is charged to maintenance or whatever work they may be doing.

Q. Well, they have general supervision over the care and construction of the property of the Company?

A. In their own districts.

Q. Each in his own district?

A. Yes.

Q. And these forces, include what, a superintendent and some assistants?

A. Oh, yes, I imagine they have—each man has several assistants in his office; he has automobile expense; he has traveling expenses; the account as shown on the book represents the actual expenditures for the period that we have studied.

Q. And is there a separation on the books of the Company between what his activities have to do with maintenance and what they have to do with new construction?

A. Yes.

Q. Did you make that separation on the books of the Company or was it already there?

A. They carry it currently in their books.

Q. That distribution is made from time to time from what?

A. I understand it is made currently as they go along. If they spend a certain amount of time on maintenance they charge that time to maintenance. If they are on reconstruc-
[fol. 3877] tion work it is charged to that. If they are working on construction they charge their time to construction.

Q. Well, now, the failure to take into consideration the 711 item is one point as to which you criticise the Hagenah Exhibit; now what is the other?

A. Well, don't understand me, Mr. McConnaughey, as criticising; I am just pointing out differences.

Q. Well, what is the object of pointing them out if you are not criticising them.

A. Well, I want to say, or explain, some reasons why Mr. Hagenah is low.

Q. You do not criticise——

A. I am not doing it in a spirit of criticising him personally, or anything of that sort.

Q. You are criticising his units and not Mr. Hagenah?

A. That is right.

Q. Well, now, what is the other element that you criticise?

A. Well, it would be——

Q. The failure to include any allowance for lost time if any occurs; is that right?

A. Yes; you cannot just continue from day to day without having storms interfere with the work; failure of shipment of material on time, which would delay the progress of the work. If the men could work all day they might be able to put up a pole in the time he has assumed; I don't know; it would be an ideal situation if they did.

Q. You worked out your labor costs on the amount of work that a man could do, or a certain force of men could [fol. 3878] do in a given time, didn't you?

A. No; what I did was to take the actual hours that were spent on the job.

Q. As I recall your testimony on cross-examination you stated that you started in on this valuation with a set of unit costs built up on the man hour basis?

A. Well, the tentative set of man hours which I used were not split into the various kinds of labor, like hauling and digging and framing, etc.; it was the total number of hours required to erect the pole. So that where Mr. Hagenah has split his unit into the various steps I have just taken the total unit.

Q. And you have based that total unit on your study of the experience of different companies which you have appraised from time to time in doing that sort of work which you have arrived at by checking the number of man hours shown in their estimate completion reports?

A. Yes, sir, that is right.

Q. With the total cost as shown by those same estimate completion reports?

A. Correct.

Q. So that you claim that your units reflect all the way through somebody's experience in actual construction by operating companies who are engaged in day to day maintenance and construction of a telephone plant in the usual way in which operating companies construct such plants; is that correct?

A. Well, now, does that question mean that I have taken just piecemeal construction? Is that what you are driving at?

Q. No, I am not driving at that; I am asking you to [fol. 3879] give me an answer to that question just as I have stated it?

A. No, sir.

Q. Whatever implications may be drawn from it.

A. As you have asked the question, the answer is "No".

Q. Why is not that statement correct?

A. Because my unit cost—my man hour costs, as I have used them, are based on doing the work not from day to day, as your question implies, but on a wholesale and large manner construction; that is the difference between your question and the way I would see to answer it.

Q. And you testified, as I remember it, that in this case, checking your unit costs developed in the manner which you have stated, in the previous experience, with the experience of The Ohio Bell Telephone Company, you did not use the experience of The Ohio Bell Telephone Company but used the units that you had developed by your previous experience?

A. Yes.

Q. As to this particular item of toll poles?

A. Yes.

Q. Now getting back to this difference of 32 per cent; I understand now that you claim that the difference of 32 per cent is because of the fact that Mr. Hagenah has not included any specific allowance for the items covered by Account No. 711, and there is no leeway in his units for lost time due to bad weather or conditions that would lay the men off; is that correct?

A. Your question, Mr. McConnaughey has a peculiar way of implying that I have changed my position. You say now that I claim so-and-so. I make no difference in my claim [fol. 3880] than I did in my original statement. I still maintain the same thing that I did in my first statement, that Mr. Hagenah's units—that my units are based on the productive hourly wage rate of the Company, and Mr. Hagenah's units do not contain certain items which I have stated.

Q. Well, please let us understand each other perfectly about this thing; you do not claim that this difference arises from the fact that he has used hourly rates of wages that are different from what the Company actually paid, do you?

A. I don't know of course what he has used or where he got these figures, but I assume what he has used there is the base wage rate, in which no allowance for these items has been made. Now I take it that that is what he has used. I do not know.

Q. You do not know whether that is true or not?

A. He would be able to answer that question himself.

Q. Then when you say he has made no allowance, you really don't mean to say that, do you?

A. Well, I do know this, that they are about what the base wage rates are, and I do know that they are lower than the actual productive rate that the Company pays.

Q. Well, now, what per cent of allowance do you make on that item of toll pole construction for unproductive labor?

A. For unproductive labor?

Q. Yes.

A. Well, I just used a certain number of hours at a productive hourly rate which contains all your allowances in it. [fol. 3881] Q. You do not separate unproductive labor from the productive labor by your system?

A. No, sir.

Q. But in building up the figure which you divide by the number of hours, you have a separate figure which includes this indirect supervision, don't you?

A. Well, we had it; it was there on the books of the Company when we took it off; we simply examined the records and found those entries were normal and in line with all other companies, and the figures we took off were the productive hours and the actual wage payroll.

Q. Now, as I understand you, the items included in Account No. 711 and the time that is lost through bad weather and holidays and other causes amounts, in the experience of hundreds of millions of dollars worth of valuation that you have made, to 20 to 30 percent of the actual wage rate?

A. Yes, sir. It is not constant in any one of the different companies. You go further south and sometimes you don't have as much lost time due to bad weather as you do in the northern states; on the other hand you may have lost time due to heavy floods. I recall in Mississippi, for instance, that item is rather high due to tremendous rains in the spring. Now in the northern states you get more snow and sleet storms that cause delays; failure of material to arrive promptly is a thing that may cause delays; there are

a hundred and one things that cut down your working time, and it certainly ought to be allowed for.

Q. Now did you find any other conditions in Ohio that justified any particular conclusions with reference to the [fol. 3882] situation here on that item of lost time?

A. The evidence of their actual experience I thought was the most conclusive thing I found.

Q. Well, did you find anything, or make a study of any other actual experience to determine how much lost time there was on their production jobs?

A. As I recall it, when we took these figures off we not only noted the amount of 711 supervision but the—well, now, let's see—the way that is accounted for is from foremen's slips, as I understand. The foremen reports the time on the job. The accountant knows the wages received by the men, so what you get is the time that is reported by the foreman, divided into the wages paid by the treasurer. So that the thing—I don't know that that lost time item actually shows out as a separate item.

Q. How would you study the accounts of a company or the experience of a company to determine what that amounted to?

A. Well, you can take the specific estimates and see the time actually involved in doing the work and the productive hours that were actually reported.

Q. How does that show you what time has been lost or what allowance should be made for lost time?

A. Well, in this way, if all the time that the men were on the job is divided into the payroll you will get, say, 65 cents; but if the time that they work is divided into the payroll you would get 75 cents.

Q. Then these completion reports do include a certain amount of time that the men do not work?

[fol. 3883] A. Of course; if they are delayed.

Q. Does it include any time when they are actually laid off and do not go to work?

A. No, it is only unavoidable delays and things that the men themselves are not responsible for that they are paid for.

Q. And that amounts to a difference of between 20 and 30 percent of the productive wage rate; is that right?

A. Well, let's see what it amounted to here. Assuming that Mr. Hagenah has taken the base rate—and I presume

he has—his average wages on this whole job is 55.6 cents; that is a combination of his laborers and his foremen and linemen and what-not; if you divide the total dollars by the total hours as shown in Mr. Hagenah's description of his 30 foot toll pole, you will find that his average wage rate is 55.6 cents per hour.

Now my unit is 75.2 cents, a difference of 35 per cent.

Q. 35 per cent is the difference that is caused by the delays experienced in actual construction as shown by the accounts of the Company, and that also includes this item of indirect supervision?

A. 35 per cent is the difference between my wage rate and Mr. Hagenah's rate.

Q. Well, then, you say that is accounted for in these two items?

A. That is accounted for in these two items if Mr. Hagenah has used the actual wages, and I am assuming that he has, and it is with the further provision that Mr. Hagenah has used the same number of high-class laborers in proportion to the low-class laborers that the Company [fol. 3884] uses.

Q. Well, you are familiar with the practice of the Company, are you not?

A. I could not say whether that would be the exact gang that the Company used in that kind of work.

Q. You don't know whether Mr. Hagenah has used the sort of a gang the Company uses or not?

A. No; the only place he has used linemen at all is in the setting. Now, as a matter of fact, in some cases, where we find linemen are not busy, you put them at other kinds of work. You don't let them stay idle. So that I don't think the actual difference between the Company's figure and the productive hourly rate is 35 per cent. I would be inclined to say it was about 27 or 28 per cent.

Q. Well, now, you say that this difference in the wages between you and Mr. Hagenah accounts for 32 per cent of the difference between you and him on these toll poles?

A. On that particular size. That is all I have to go by.

Q. That is what we are talking about, the 30 foot size; is that what you were thinking about when you answered Mr. Burr's question on this subject as to what was the difference between you and him on the toll poles?

A. Yes; I have no access to Mr. Hagenah's other units; I assume they are based somewhat along the same lines as the 30 foot pole shown in his exhibit.

Q. If they were built up in the same manner would you expect them to vary in proportion to the length and weight [fol. 3885] of the pole?

A. Somewhat; I would expect to find about the same difference on each pole, although perhaps not on every size.

Q. Now what is the remainder of the difference between you and Mr. Hagenah?

A. Well, that is due to shorter hours. He has assumed a period of time less than the actual experience of the Company has shown.

Q. What is the Company's experience on that kind of a job?

A. Well, as I told you, my units were based on that. Although my units that I used did not fully come up to the time they showed, it approached it much more closely than Mr. Hagenah.

Q. 32 per cent of the difference is due to difference arising from loss of time—through not taking account of loss of time and not taking account of this indirect supervision, and 68 per cent is due to what?

A. You still have your trick question.

Q. Well, I object to your calling that a trick question.

A. Well, perhaps that is not the correct term to use, but your question implies that that difference is due only to those two items.

Q. Well, that is what you have said?

A. I have not said that.

Q. Well, tell us what it does cover then; that is what I am trying to get at.

A. I have said that the wage rate I have used is the productive hourly wage rate of the Company, and that 32 per cent is explained by the difference between Mr. Hagenah's wage rate and my wage rate.

[fol. 3886] Q. Well, now, what does the difference in the wage rate that you have used and the wage rate that Mr. Hagenah has used cover besides the item of supervision and the item of time lost through delays of the men?

A. That is what I have pointed out a minute ago. Perhaps he has not used the same gang set-up that I have, or that the Company used, and that makes a difference.

Q. Well, is that included in this 32 per cent of difference?

A. Yes, absolutely.

Q. Now is there anything else included?

A. No; if you put it on that basis, you are right.

Q. Well, that is what I thought. Now I am asking you what is the reason for the difference between you and him beyond the 32 per cent; there is still 68 per cent of difference to be accounted for.

A. That is due to the period of time that he has required to erect the pole.

Q. You just said that was included in the 32 per cent?

A. No, no; I told you that 32 per cent was the difference in wage rate, and 68 per cent is due to short time.

Q. All right. Now how do you know that it is due to the short time; how do you figure out that 32 per cent?

A. Well, he gives the number of men and the time required to do the job, while if you total those up you will find that his total hours for a 30 foot toll pole is 10.62 hours and mine is 16.4 hours.

Q. Where do you get yours?

A. Well, it is the tentative units I told you about the other day.

[fol. 3887] Q. He gets his from tentative units also built up from experience of about the same kind that you have had?

A. Well, he certainly don't get them from the experience of this Company.

Q. You did not get yours from the experience of this Company either, did you?

A. Well, I got them from the experience of many companies, but they agree much more closely with the actual performance here than Mr. Hagenah's.

Q. He has figured that the men would do this job in less time by six hours plus than you?

A. Five hours plus.

Q. Five hours plus?

A. Yes.

Q. You say you don't know anything about whether the gang he has figured on and used was a correct gang according to the practice of the company or not?

A. No.

Q. What do you say as to whether it is an efficient gang from an operating or engineering standpoint?

A. The only objection I would have to his gang set-up would be in practice you would actually use more linemen then he has shown. He has only figured four linemen in that whole job. Those men could do that work, but I don't think it would be the practical way of doing it.

Q. What would be the practical way of doing it?

A. Well, what you actually do when you go out with a gang of men, you have a standard gang of men consisting probably of about four linemen and six groundmen.

Q. What has he?

A. Well, you take the proportion of these linemen, his [fol. 3888] total time is 10.6 hours, and he has only here four linemen for eight hours would be 32 hours, divided by 30 poles, so he has practically one hour out of his 10.6 hours as lineman hours.

Q. You say that is too much or too little?

A. Well, ordinarily the practical pole line gangs are composed of about half and half linemen and groundmen. That is the way telephone companies all over the country do work.

Q. What do you say as an expert as to whether that is an efficient way of doing it or not?

A. Absolutely; it has proven to be the most efficient manner there is.

Q. Could it be done with this gang in an efficient way?

A. Yes, you could do it with those men all right; but you would not do it that way, because you could not afford to split up your men that way. Pole line gangs are organized in groups. They have a foreman, and each foreman has a number of groundmen and a number of linemen. He is assigned to a job and he goes out to do it, and if a lineman has to dig a hole he does it, and if he has to climb a pole he does it; he don't stand on his own kind of work.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day, Wednesday, February 23rd, 1927.

[fol. 3889] Afternoon Session

Wednesday, February 23rd, 1927.

And also W. F. Sloan, resuming the stand for further cross-examination, having been heretofore duly sworn, testified as follows:

Cross-examined by Mr. McConnaughey:

Q. Now your cost study is based on 16 hours plus; what was that figure, as the time for erecting this pole?

A. Do you mean in the 30 foot toll pole?

Q. Yes.

A. 16.4 hours.

Q. 16.4 hours?

A. Yes, sir.

Q. Where did you get that 16.4 hours as the time for erecting a 30 foot pole?

A. Well, that was the tentative unit which I used in testing out the performance of the Company, and it also contains those hours which were in the 23 per cent for the labor on the extra material, such as the anchors and guys, etc., which you will recall I testified there was a 23 per cent allowance for items of that kind. It is a combination of both of those hours.

Q. Well, then that includes setting the pole and attaching the crossarms and putting on the steps and guy wires?

A. It does not include the crossarms.

Q. It does not include the crossarms?

A. No, sir; it includes anchors and painting and stepping [fol. 3890] and guying and hub guards and all that miscellaneous additional equipment that is included in the cost of erecting the pole.

Q. And how did you arrive at that 23 per cent?

A. Well, I think if you will recall my previous testimony that that was the result of studying five or six appraisals in various part of the country, including the data obtained at Dayton, and, as I recall, the data obtained at Cincinnati.

Q. Was that based on a study of the labor only and not the material that went into those associated items?

A. Oh, no, that was labor and material both.

Q. So that when you add 23 per cent you include in this 16 hours an allowance for some material then?

A. No, no, the 16 hours contains the hours of labor necessary to erect the equipment, the labor and material, both of which equal 23 per cent of the cost of the pole.

Q. Then in arriving at your final unit combining material and labor you would add 23 per cent of both labor and material?

A. No—see if I get your question straight?

(Question read.)

A. Yes; that is the total allowance for these additional items which of course is part material and part labor.

Q. Now you had, before you started in on this Ohio Bell rate case, a time requirement for the setting of a 30 foot pole that you had established from former experience, hadn't you?

A. Yes, sir.

Q. Was that 16.4 hours?

A. Oh, no.

[fol. 3891] Q. What was it?

A. That was the unit that we used for the pole alone. That is, you are speaking of a 30 foot pole now?

Q. Yes.

A. 12.2 hours.

Q. 12.2 hours?

A. Yes.

Q. What study did you make of The Ohio Bell Telephone Company's records which induced you to raise that to 16.4 hours?

A. Well, we studied what data we had of the specific estimates and then studied the data in these other appraisals.

Q. Which other appraisals?

A. Well, the New England Company and the Chesapeake & Potomac and Chicago.

Q. Weren't they represented in the 12.2 hours that you had as a unit before you commenced to study the Ohio Bell situation?

A. For poles only, surely.

Q. Well, then what did you add to this 12.2 hours to get the 16.4 hours? How did you raise that to 16.4 in this case?

A. Well, I split this 23 per cent up between labor and material. 23 per cent of the pole unit gave a certain number of dollars which, in this case, amounted to $5.30, and that $5.30 is split between labor and material.

Q. How much of it went to labor and hor much to material?

A. Well, I made a study of the cost data where it was possible to get it in these other appraisals of the relation of material for painting and stepping and guying and anchoring and all of that stuff combined as it was. About ten per cent of this would be for material and the rest would be for labor.

Q. Ten per cent for material and 23 per cent for labor [fol. 3892] then?

A. No, 90 per cent for labor.

Q. Yes, that is right; 90 per cent for labor.

A. Yes.

Q. Now upon the basis of that study what did you add to your time performance, your time of setting the pole, because of these extra elements—the associated items?

A. Well,——

Q. That is what I am getting at; you started out with your test figure, your time for the performance of this operation, as 12.2; that is the unit that you brought to this job, as I understand you?

A. For putting the pole up alone.

Q. For putting the pole up alone; and for some reason you added for the purpose of this case 4.2 hours for that job?

A. That is right.

Q. Just exactly how did you get that 4.2 hours?

A. Well, I thought I made that clear.

Q. Well, you haven't made it clear to me.

A. Well, two per cent of the toll pole unit amounted to $5.30.

Q. How did you translate that into hours; that is what I am trying to get at?

A. All right, I will tell you that. 90 per cent of the $5.30 represented labor and supervision and trucking and teaming expense. Now I divided that 90 per cent of the $5.30 by the labor unit increased by the same percentage for supervision and incidental expense that I had used in the pole unit, and that reduced it to hours and it gave——

[fol. 3893] Q. Well, what are your figures on that?

A. Well, that of course, as you realize, was taken on the total. It may not check out exactly on each individual pole. We will see how close it comes. That is $4.77, 90 per cent of $5.30.

Now the supervision and incidental expense was 51.6 per cent; that is the trucking and the board and the supervision. So I divided that by 1.516 and that gives $3.15. Now the wage rate was 75.2 cents, so you divide by 75.2 cents and you get just about 4.2 hours. Now what was the figure I actually used?

Q. I think you said 16.4.

A. Well, I used 12.2 for the pole and 4.2 for the miscel-

laneous; that is where I got it, 16.4. 90 per cent of $5.30 is $4.77; so you divide that by your labor loaded with the percentage for supervision and incidentals and get $3.15; then you divide that by 75.2 cents and you get 4.2 hours.

Q. Then you have added nothing to your time for accomplishing this performance, the setting of a pole, to your tentative unit, excepting for this element of associated items in this case in order to get that 16.4?

A. No; just as I showed you there——

Q. Well, that is the way I understand what you have shown me.

A. Well, that is the truth; I am telling you the truth, Mr. McConnaughey.

Q. What else besides that is in that 4 hours?

A. Nothing.

Q. Well, that answers the question.

[fol. 3894] A. Well, it took a long time to get it.

Q. Have you got the Hagenah cost units there?

A. Yes.

Q. Now the Hagenah unit for the setting of toll poles, as set forth in the exhibit before you, is based on a day's performance in which they would set 33 30-foot poles; is that correct?

A. Well, yes, they set that many, but they dig 18 holes and frame and shave 8 poles. You see each gang does a different amount of work, so that gang does not represent——

Q. The complete performance of 33 poles?

A. Only as to setting, as I understand; that is 18 poles.

Q. I understand. Now you have stated in your redirect examination that 22 per cent of the difference between you and Mr. Hagenah on the underground conduit unit prices is due to a difference in the hours of labor or the wage rate for labor?

A. On conduit?

Q. Yes.

A. I think you are mistaken; I think I said cable.

Q. Underground cable; yes, it was cable; that is right.

A. Cable 22 per cent.

Q. Do you arrive at that 22 per cent in the same way that you have with reference to the 32 per cent of the total pole difference?

A. Substantially the same way. You have to treat each account in a somewhat different way but you arrive at the—

let's see, there was—that loading for miscellaneous was smaller in the case of the cable than it was with the poles. [fol. 3895] Q. Was there any other difference in the manner in which you determined that?

A. No; substantially the same.

Q. How did you get at the difference; explain that process with reference to underground cable just as you did with reference to the toll poles?

A. On underground cable?

Q. Underground cable, yes.

A. Well, my analysis of Mr. Haganah's 100 pair 22 gauge underground cable unit indicates that he has used 134 hours to do the work and his composite average is 65.3 cents per hour.

Now my unit is made up of 196 hours at 77 cents.

Now I might state this, that I have apportioned Mr. Hagenah's unit for splicing between labor and material on the basis that represents the normal relation between labor and material in splicing. Now he may not exactly agree with the way I have split his splicing allowance between labor and material, so I am willing to modify his hours within a small range there due to any change he might suggest as to his split on splicing material between labor and material.

Q. How did you divide the splicing material between labor and material?

A. I made it ten per cent material and 90 per cent labor; that is substantially correct.

Q. How did you arrive at that 196 hours for underground cable?

A. The one that I used?

Q. Yes; how much cable does that represent?

A. 1000 feet, including erection of terminals; do you [fol. 3896] mean finally arrived at that.

Q. Well, just state how you did it?

A. Well, it was obtained by testing the tentative hours against the actual performance of the Company.

Q. And what was the actual performance of the Company that you used there?

A. Well, I think in my other testimony I stated how closely the test agreed with the actual performance; I think I have the figures right here. Here is the figure, Mr. McConnaughey. We applied certain test hours to the actual records of 207636 feet of cable and the units which we

used gave a figure of 86.6 per cent of the actual performance.

Q. That is, your tentative unit was 86.6 per cent of the actual performance?

A. That is right.

Q. Then what unit did you use?

A. We used this figure that I just gave you, 196.

Q. You did not modify your test unit?

A. No, no; 196—the hours to erect 1000 feet of 100 pair cable is 196 hours at 77 cents per hour; that represents a labor cost of $150.92.

Q. And then you did not follow the experience of the Company on that item?

A. Well, it came within about 86.6 per cent of it.

Q. It was 86.6 per cent, rather?

A. Yes.

Q. You tested the Company's performance by dividing the number of feet of underground cable that the Company had installed over a certain period of time by the number of hours that these estimate completion reports showed had [fol. 3897] been spent by the Company in setting that much underground cable; is that right?

A. No. What I did was to apply these tentative hours for each kind of cable against the total footage of each kind of cable and got a total. The total obtained in that way amounted to 86.6 per cent of the actual hours as shown by the records of the Company.

Q. Now what was the number of feet as set by the Company that you used in that calculation, and over what period of time did that experience extend?

A. Well, that was over the records of 1922, 1923 and 1924.

Q. Have you the number of feet of cable that were involved?

A. I read it to you a few minutes ago; Mr. Okey has it there back four or five questions; 207,636 feet.

Q. How did you get the 77 cents?

A. In the same way that I got the 75.2 for toll pole line gangs; I took the actual payroll for underground cable labor account and divided that by the total productive hours.

Q. Was that all of the payroll of the Company during those years for laying underground cable or was it what applied only to this 207,000 feet that you used?

A. It was the total payroll for the first six months of 1925, Mr. McConnaughey. I tried to get the productive hourly rate as of the date of the appraisal. All that I used the 1922, and 1923 and 1924 estimates for was to get the number of hours required to do the work.

Q. What did you divide the total payroll for laying un-
[fol. 3898] derground cable by to get your 77 cents?

A. The total productive hours during the first six months of 1925.

Q. And do you know how many feet of cable were laid in that time?

A. No, I do not; I do not happen to recollect that figure.

Q. And you have not made the study with reference to the cents per hour on the same basis as you did the study as to the time required to install?

A. No; the time study was spread over a considerable period of time in order to get a large volume of work but the payroll study was confined to the first six months of 1925 in order to get the wage rate applicable at the time of the appraisal.

Q. On a program of wholesale reproduction of this plant as one job, have you figured that the construction would go forward on the outside plant from the first of January until the first of December throughout the year?

A. Well, I figure that you will carry your——

Q. I mean from the first of January until the last of December?

A. I got your meaning. Here is what I have assumed, Mr. McConnaughey; that you would greatly augment your force during the summer and spring and fall months, but you would never completely cease work. To do that would mean a greatly added expense.

In the first place, if your men were hired with the understanding that they were going to be discharged as soon as winter came on, you could not get them for the wages that the Company is paying now.

In the second place, to reorganize and organize a com-
[fol. 3899] plete new force every spring would add more to the cost than the way that I have assumed. I have assumed that construction which will be as rapid a pace during the extreme cold months as it would during the summer months.

Q. There would not be any lay-offs for bad winter weather

in that program which will let down to the minimum of construction during the winter months, would there?

A. Well, not due to winter storms but that storms occur throughout the year, and heavy rain storms, sleet storms, will cause damage; heavy wind storms in the spring after you start construction will cause delay; delays go on continuously. Lost time will occur under the best weather conditions due to other reasons. Your trucks may break down or your material be delayed in shipment. There are 100 reasons why you cannot escape some allowance for lost time.

Q. And you make a percentage allowance overall for contingencies of all kinds, don't you?

A. I don't get that question?

Q. You make a percentage allowance in your overheads for all sorts of contingencies that may arise in the course of the job, don't you?

A. No. I think if you will look at our report you will find there is only an item of omissions there. I don't think you will find any allowance for contingencies. I would like to refresh my memory on that by looking at my report. You will find on the bottom of page one of my report an item of omissions of two per cent. That does [fol. 3900] not contain any allowance for contingencies.

Q. I see. Well, now, in this system of developing the wage rate by taking into consideration the actual payroll of the Company as it is paid out over the period from the 1st of January, 1925, to the 1st of July, 1925, whatever occurred in the way of lost time from any cause would be reflected in that wage rate, would it not?

A. Surely. Now I might point out to you that we also studied the wage rates for preceding years where we had twelve months rather than six months, as in 1925. Now except for the actual change in the wages paid the wages are about the same throughout the year as they are for the first six months, so there is no undue allowance in the unit that I have used for lost time or anything of that sort.

Q. Well, it would be what had occurred during that period?

A. Yes, that is right.

Q. And that element of lost time would appear in covering the total payroll during any period for which you might study it of course?

A. Surely.

Q. You say you studied the experience of the Company for past years; did you modify your results in any way on the basis of those studies?

A. Oh, no.

Q. What was the result of that study?

A. The object in getting that data was to see whether there would be any extra distortion of the wage rate in the first six months of 1925.

[fol. 3901] Q. Well, now, you say that these units were based upon a study of 50 million dollars of construction by The Ohio Bell Telephone Company; is that correct?

A. Well, they were; yes, they were based on the amount of work done in that period that was done on the specific estimates.

Q. You say that The Ohio Bell Telephone Company did $50,000,000.00 worth of construction work prior to June 1st, 1925?

A. Well,——

Q. On specific estimates?

A. No, not on specific estimates; in total.

Q. Where did you get that figure of $50,000,000.00, Mr. Sloan?

A. That is a round figure, Mr. McConnaughey; that was put in as an exhibit in this case. Here are the gross additions for 1922, 1923, 1924 and 1925.

Q. Now you refer me to an exhibit which you say was introduced by Mr. Upritchard in this case which shows the book cost of gross additions and net additions by the Ohio Bell Telephone Company for the years 1922, 1923, 1924 and 1925?

A. Yes, sir, that is right.

Q. The totals of which are $8,885,369.00 for 1922, $10,514,619.00 for 1923, $12,119,212.00 for 1924 and $16,555,124.00 for 1925?

A. That is right.

Q. Which totals apparently somewhat less than $50,000,000.00?

A. Slightly less; I would have to add that up.

Q. Now there was no construction involved in the items which are included in those gross additions for intangible [fol. 3902] capital, right of way, land or buildings that have affected any of your unit costs, was there?

A. No, sir; there were those items in those additions but they did not affect our unit.

Q. So that those items should be left out in the total of what you studied which you say was $50,000,000.00, should they not?

A. Well, the items that we studied, Mr. McConnaughey, are by accounts. On pole lines the amounts studied in each year are as follows: Pole lines, 1922, $772,729.00.

Q. How much of that did you study?

A. Well, I cannot answer that offhand without looking at the specific estimates. In 1923 it was $697,919.00. In 1924 it was $618,851.00; and in 1925 it was $763,147.00.

Q. Those are the totals for exchange pole lines?

A. Yes. Now——

Q. Now just a moment. The part of the work that you studied was only the part that was represented by the specific estimates, was it not?

A. That is right.

Q. How much of those totals are represented by the specific estimates?

A. Well, I will have to refer to the specific estimates and total them up to find that out.

Q. Can you estimate how much it was; was it half of the amount?

A. Well, I would not hazard a guess, without looking at the figures. Do you want me to dig this out?

Q. The same is true of all the other items of plant that figure in those gross additions, is it not? That is, you [fol. 3903] only studied the specific estimates?

A. Yes. You realize that I studied this payroll as a matter of checking up my own items of what the cost should be.

Q. What is the practice of the Company with reference to installing some of its plant by contract?

A. I think underground conduit is practically all put in that way.

Q. And that is not based on the experience of the Company, at all, is it, excepting as it accepts contract prices for conduit?

A. No; that is true.

Q. Now how about the central office equipment?

A. That is studied by pricing the material out with Western Electric prices and applying their own determination of labor to that material.

Q. As a matter of fact, the——

A. That was not based on a specific estimate study.

Q. And a certain proportion of all those additions was for reconstruction, was it not, where old plant had been taken out and new plant put in, and the net result was an addition to the plant of the Company?

A. I do not doubt but what that is true.

Q. So that there is involved in these totals not only new construction but the day to day construction or routine estimates and the construction by contract with The Western Electric or contractors who laid underground conduit and by all of this reconstruction work which was considered?

A. That is true, and I gave full consideration to that [fol. 3904] whole subject when I made my study.

Q. So that the net result of all those elements entering into this new construction, that is, net additions which amount to a total of $50,000,000.00—to a gross of $50,000,000.00—is that you actually studied a total of very much less than $50,000,000.00 as the basis of your conclusion?

A. No, that is not true. I studied the whole thing and based my judgment on the things that I found; I studied the whole thing.

Q. To what extent did you consider the items of reconstruction in arriving at your unit costs or your total costs?

A. As you probably know, the accounting of the Company is such that plant torn down is kept under a separate account from that reconstructed so that there is no real mixing of the charges to reconstruction and construction, if that is what you mean.

Q. Well, is the cost of reconstructing property that is torn down comparable to that which is new construction where there has been no old plant to tear out and no new plant to put into the old plant that is left, or anything like that?

A. Oh, I imagine you might find some difference there.

Q. How would those additions show in the cost of the property; would it make it more or less?

A. Well, in some cases it would make it more and some less; take the case of reconstructing a pole line, if the conditions are such that they can go along with a machine that will pull those poles out, which they frequently do, you can [fol. 3905] save the cost of digging holes, so in that case it would make it less; in other cases it might make it slightly more. But I have given full consideration to all those facts as shown by the fact that I have taken units which repre-

sent construction costs in a wholesale manner. Now the fact that I did not fully reach the actual performance of the Company accounts for such items as you have mentioned——

Q. Now do you consider that adding fifty million dollars gross to the plant of this Company over a period of four years, mixed up as it was with all these elements of reconstruction and construction under contract and new construction, and conducted in connection with the day to day operation of an operating company, including a large amount of routine construction, which you did not study at all because it was not, as you thought, to be considered on a wholesale construction basis; do you consider that that is comparable to the construction of a plant entirely new, starting without anything and simply going forward with a program of wholesale construction?

A. Yes, in the way I have considered it, it is. In the first place, all that work that is done by contract would still be done by contract in the reproduction method. All switchboards would be put in by contract with The Western Electric Company. All the underground conduit would be put in by contract the same as it is now. The paving would be put in by contract, or by the Cities, as the case may be. The only item—and there will always be a certain amount of work that would be done, as you place the term, by the [fol. 3906] routine method. The whole thing—parts of it would have to be done as they do it now, on the piecemeal basis; you could not completely escape that. The only thing that we would escape would be any extra allowance or any extra cost that might be incurred by reconstruction, if there were such an account. Now I do not admit that there is very much in this because of the way the accounting records are kept as distinguished between construction and reconstruction.

Q. There is some of it, is there not?

A. Well, there are cases—I think this is what you mean; there are cases where pole lines are torn down and others built at the same time, but the charges to those two accounts are kept quite accurately so the costs themselves are not distorted.

Q. You have spoken, Mr. Sloan, of the fact that this Company's operations are spread over some 250 different communities in this State, in more than 150 of which the Company has exchanges?

A. Yes.

Q. Now what proportion of the total plant of the Company is located in cities of more than 150,000 inhabitants?

A. Well, now, that would be very difficult to answer. The total amount located in cities could be determined by finding the relation of the toll portion to the exchange portion. That might answer your question.

Q. What is that relation?

A. Well, I will just have to total these toll proportions here. Of course there should be some slight adjustment of [fol. 3907] these figures but the items shown on page one of my report, Account 251, to 256 inclusive, totalling $13,136,688.00.

Q. That is the toll property, isn't it?

A. That is toll property, yes.

Q. That is out of a total of——

A. $111,020,515.00.

Q. Now what balance would you say was the percentage of the total property that is located in the cities of Cleveland, Columbus, Toledo, Akron, Dayton, Youngstown and Springfield?

A. That would be very difficult to answer. It is not spread exactly in proportion to the number of telephones. Approximately on the basis of the number of telephones, the cost per telephone would be slightly higher in the very large cities than in the smaller ones.

Q. Isn't it a fact that at least 70 per cent of the property of this Company is located in the cities I mentioned?

A. I would not attempt to answer that. But even so, even if it is, you have a diversity of plant there that has got to be—where there is the traveling element and all the things I mentioned that take place.

Q. Wouldn't it be possible at any one of those cities to set up an organization that would work at the job of construction in those cities for a considerable period of time without any moving about such as you have indicated would take place?

A. Surely, but you would not escape lost time or things of that sort any place. You would still have to add that. [fol. 3908] And that very thing is reflected in the unit costs that I have used because the specific estimates and the payroll labor rate that I used, if the proportions that you have given are correct, and I assume you probably have the figures for it, then that is reflected in the wage rate that I

have used, because the payroll is probably distributed just about the same as you have indicated.

Q. Are you familiar with the distribution of the Company's expenditures for payroll during the past three years for direct labor as to the manner in which, or the ratio in which it is divided between construction and operation, maintenance that goes into operation?

A. No, sir, I cannot say that I am; I haven't that figure.

Q. You have no data that would show that?

A. Perhaps I have some data but I do not recall it. We didn't give any weight to the labor that was charged to operation or maintenance or anything of that sort.

Q. Well, your plant supervision expense was taken from those very records, was it not?

A. It was taken from the total payroll. Now the split between that and construction, I never made that study.

Q. Did you make that study yourself or take it from the accounting forces of the Company?

A. We took the actual figures from the books of the Company.

Q. Well, suppose it were shown that one-third of the direct labor was for construction and two-thirds for maintenance, would that affect your judgment as to whether or not the operations of the Company were on a piecemeal [fol. 3909] basis rather than upon the wholesale construction basis?

A. No, not with the volume of work done.

Q. You would still think that the volume and the manner in which it was done, the jobs into which it was separated and the way in which it was accounted for would approximate the conditions which would arise in a wholesale reconstruction of this job?

A. I think, Mr. McConnaughey, that the units that I have used which are based on a wholesale construction are proper. In all cases they have not met the actual performance of the Company. My position is that the units which I have used do represent wholesale construction.

Q. In those cases where you have followed—and there are some cases where you have followed the exact experience of the Company, have you not?

A. I think in the case of the conduit is the only one.

Q. How about the case of pole construction? You modi-

fied your unit there to meet with the experiences of the Company?

A. I just told you that was 86.6 per cent of the actual. I do not know why you say I took actual experience.

Q. You were talking about underground conduit when you used that 86.6 per cent?

A. No, I was talking about a 30 foot toll pole line.

Q. Well, we will leave that to the record.

A. I think I am correct in that statement—no, I will retract that statement, Mr. McConnaughey. The 86.6 per cent was for underground cable and not for conduit.

[fol. 3910] Q. Well, that is right.

A. Toll poles are 83.5 per cent.

Mr. McConnaughey: That is all.

Mr. Burr: That is all.

[fol. 3911] And also H. B. Taylor, called on behalf of The State of Ohio, being first duly sworn, testified as follows:

Examined by Mr. McConnaughey:

Q. State your name?

A. H. B. Taylor.

Q. How old are you, Mr. Taylor?

A. 49.

Q. What is your business?

A. I am in the manufacturing business and am more or less of an accountant on the side.

Q. What was your business in 1901 and 1902 and for several years thereafter?

A. I was in the telephone business at that time, starting at Toledo, Ohio, as auditor and treasurer of The Toledo Home Telephone Company.

Q. With what other telephone companies, if any, did you have any official relations or connections?

A. Well, after 1906 I went to Cleveland as treasurer and auditor of the old Federal property, known as The Cuyahoga Telephone Company; The United States Telephone Company, The Citizens Telephone Message Company of Fostoria, The Columbiana County Telephone Company, The Findlay Home Telephone Company, The United States Telephone Company, The Lancaster Telephone Company, The Zanesville Telephone & Telegraph Company, and, later, the companies that were taken in along with the other con-

stituent companies that went to make up The Ohio State Telephone Company.

[fol. 3912] Q. You were treasurer of all of those companies?

A. Yes.

Q. Did you mention the Youngstown Company?

A. I did not, but I should have. The Stark County Company, I did not mention that either.

Q. Did you mention the Columbus Citizens Company?

A. No; I did not go with them until 1910.

Q. And what was your official connection with The Columbus Citizens Company?

A. Assistant treasurer.

Q. Were you connected with The Ohio State Company during, or after, it was organized?

A. Yes, sir.

Q. What was your official relation there?

A. Treasurer.

Q. Up to what time did you continue as treasurer of The Ohio State Company?

A. In 1917.

Q. As treasurer of these various companies what were your duties?

A. Well, the accounting of the receipts and disbursements; the finances of the company; in some cases handling the issues of securities, stocks and bonds, etc.

Q. Now speaking particularly with reference to the Toledo Company, what did you have to do with the organization of that company?

A. Well, to begin with I was one of the syndicate members that underwrote the company and later on I went there as the first financial and accounting officer.

Q. What was the plan of financing that company?

Mr. Burr: I object to this. I do not see what its competency is; I do not see how it reflects upon the fair value [fol. 3913] of the property of The Ohio Bell Telephone Company for rate making purposes.

Commissioner Maullar: It might reflect upon his qualifications as a witness; that is what he is doing at this time, isn't it?

Mr. McConnaughey: No; I am just a little past that; I am leading up to a statement with reference to the original organization of the company which will show something with reference to the book cost of the company.

Mr. Burr: That is in nineteen hundred and what?

The Witness: 1902.

Mr. Burr: It has no possible relation to this case.

Mr. McConnaughey: There is evidence here already, if the Commission please, with reference to the original cost or the book cost I should say of all these companies, going back to the very beginning, which has been offered and admitted without any objection.

Commissioner Maullar: I think so. He may answer.

Mr. Burr: Well, just a moment. It has been admitted over my objection. The only purpose of testimony of this kind, Your Honors, apparently is to reflect upon the fair value of the property of The Ohio Bell Telephone Company today for rate making purposes. Now, whether that property cost something or nothing twenty years ago has no connection with what it cost The Ohio Bell Telephone Company, or what The Ohio Bell Telephone Company was authorized to pay for that property by the order of this Commission of September, 1921.

[fol. 3914] Not only that, but His Honor Mr. Justice Pearce Butler, in the recent Indianapolis Water Company case, with which you are familiar, and which has been referred to several times in argument here, says in that case that the only possible wau in which the original cost of a property can be taken as reflecting or bearing upon its fair value for rate making purposes, is in cases where the installation of the property is so nearly the date of the inquiry as to its fair value, that the original cost may be said to reflect its value as of the date of the inquiry, based on costs current as of that time.

Now here we are proposing to go back to 1902 at a time when The Ohio Bell Telephone Company had nothing to do with this property. It is 24 years ago. Everybody knows that costs current at that time are no criterion by which to estimate the reproduction cost new or the fair value for rate making purposes of the property in this case, and this Commission, at another point in this case, riled definitely that in the matter of original cost it was not competent to go back of September, 1921, the date of the acquisition of this property by the present The Ohio Bell Telephone Company.

It is true that there is evidence as to the book cost of some of these predecessor companies, but it went in over our objection, and we objected to it, among other grounds, for

the reason that it was incompetent, irrelevant, and immaterial.

Commissioner Maullar: I understood that was an inquiry [fol. 3915] as to the book cost and not as to the present cost of the property.

Mr. Burr: It would not make any difference to Your Honors if it was, the objection would be just as well taken. But the purpose of this inquiry, as I understand it, is to show the original cost of this property of The Toledo Home Telephone Company, if that was its name, in 1902. And if it cost one million dollars and had been given to The Ohio Bell Telephone Company for nothing, it could not affect the right of The Ohio Bell Telephone Company to a fair return upon the fair value of that property.

Commissioner Maullar: What is it, Mr. McConnaughey that you expect to show by this witness?

Mr. McConnaughey: As I stated a moment ago, the testimony is leading up to a statement with reference to the original cost of this property and how it was entered upon the books; the manner in which it was entered upon the books will be explained, and it will be consistent with the Morse testimony on that subject.

The capitalization, the original capitalization, of this company, which is supposed to reflect its book cost, has been carried down in the history of all these different mergers and reorganizations, until the book costs as reflected in the opening entries of The Toledo Home Telephone Company in 1902 are a part of the valuation upon which these properties were merged in 1922.

So that this testimony is hooked up with the cost of this property, the valuation of it, as it was considered by this [fol. 3916] Commission in the merger case which, by adoption and consolidation, is a part of this very inquiry. And this testimony will reflect upon the accuracy, the correctness, of the value which the Company fixed for merger purposes in 1922.

So that it is not a value that is related back to 1902, as Mr. Burr has suggested, but is brought right down to date by the state of the accounts all through these years.

Now we think it has some value in the question of determining the present-day cost. How much value, is a question for the Commission to determine, and as to that we will make an argument at the proper time.

But we do not believe there is any ruling of the Supreme Court of the United States or any other Court which has affected the proposition announced as long ago as the case of Smith against Ames, that the book cost is a thing to be considered. Now the amount of consideration, the effect upon it, is not affected by the recent dictum of Mr. Justice Butler to the effect that a remote book cost does not have any effect upon present value in the sense that evidence of that kind should be rejected. It should be brought in as a part of the inquiry and if it does not have any effect, that is a matter for future argument.

Commissioner Maullar: It may go in for what iy is worth.

Mr. Burr: Note an exception. Now may we have an understanding, Mr. McConnaughey, that until otherwise ordered the record may show my objection to each question propounded to this witness and a similar ruling to the one [fol. 3917] just made by the Commission and my exception noted?

Mr. McConnaughey: That is all right, so long as it affects the same question.

Mr. Burr: Yes.

Mr. McConnaughey: Anything to which the same objection would apply would be covered by that stipulation. That is all right.

(Question read.)

Mr. Burr: Mr. McConnaughey, will you tell me when you start on a new subject?

Mr. McConnaughey: Yes, but if I forget you might ask me from time to time.

(Question read.)

A. The subscribers to this issue of stock and bonds were given construction receipts as they made their payments towards their subscription, and after the plant was completed and they had each paid in their total amount of subscriptions they received in return for each one hundred dollars paid in $115.00 in common stock and $115.00 in first mortgage bonds.

Mr. Burr: Is this a confession, Mr. Taylor?

The Witness: It is merely a statement of facts.

Q. And what was paid to the contractors who constructed the plant?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

[fol. 3918] A. Well, they each received fifteen per cent in stock and fifteen per cent in bonds on each one hundred dollars that had been spent in construction of the plant.

Q. Who paid for the construction, Mr. Taylor?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. The subscribers to the capital stock.

Q. This fifteen per cent in stock and fifteen per cent of bonds that went to the contractors represented what?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, that percentage on the total amount expended in the construction of the plant.

Q. Now who made the settlement with these contractors and distributed the stock to the subscribers to this syndicate?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I did in this particular case.

Q. State a little more definitely, Mr. Taylor, just how the construction was paid for?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I don't know as I understand just what respect you refer to.

[fol. 3919] Q. Well, who constructed this property?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, it was constructed by The Central Construction Company.

Q. And who paid for the cost of construction?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. They paid for it out of the receipts of subscriptions for stock in the company.

Q. And who paid the subscriptions of stock to the company?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. The subscribers to or members of the syndicate.

Q. Now the Central Construction Company then got money with which to build the property, and this stock, fifteen per cent of stock, and fifteen per cent of bonds in addition?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes, sir.

Q. Now you say that you made the settlement with the [fol. 3920] Construction Company and issued the securities to the members of the syndicate?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes, sir.

Q. What sort of a receipt was given to the members of the syndicate for the money that was paid?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Construction receipts.

Q. What did that receipt call for?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. For the amount of money that had been paid in from time to time.

Q. That is, it acknowledged receipt of the amount of money that they had paid?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes, sir.

Q. And did it embody any agreement to give them anything upon the organization of the company?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone [fol. 3921] Company.)

A. Yes, sir, it covered the figures that I gave you there of $115.00 in common stock and $115.00 in first mortgage bonds for each $100.00 that they paid in.

Q. Now in making the settlement with the company, did you learn what was the total construction cost of The Toledo Telephone Company's property; original cost, I mean?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes; the figure they turned over to me was approximately $900,000.00,—a little less.

Q. And what amount in stock and bonds was given to The Central Construction Company under this agreement with them?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. To cover the entire subscription as well as the construction features——

Q. Well, I am asking now about The Construction Company?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Fifteen per cent in stock and fifteen per cent in bonds.

Q. Fifteen per cent of what?

(Same objection by The Ohio Bell Telephone Company; [fol. 3922] objection overruled; exception by The Ohio Bell Telephone Company.)

A. Of the cost of $900,000.00.

Q. And what stock and bonds were issued to the members of the syndicate who had subscribed and paid in money?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. $115.00 common and $115.00 first mortgage bonds for each $100.00 they paid in.

Q. Now can you tell us the total amount that was issued in that way?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. $1,160,000.00 of common stock and an equal amount of first mortgage bonds, $1,160,000.00.

Q. Was there any money expended in the construction of that property at the time of its original organization and prior to the issue of this amount of stock and bonds besides the $900,000.00 which was the cost of construction as you have just stated?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. No.

Q. What do you know if anything about the manner in [fol. 3923] which any of the other companies which went into the Ohio State organization and of which you were the treasurer and financial officer, were originally organized and capitalized?

Mr. Burr: Same objection. If this is considered a new subject I want to renew the objection. May the same stipulation apply?

Mr. McConnaughey: Sure; yes.

Mr. Burr: Proceed.

Commissioner Maullar: The objection will be overruled.

Mr. Burr: Note an exception.

The Witness: Well, practically the same principle was involved in the incorporation and financing and building of all the other companies.

Q. What have you to say; what do you know as to the amount of bonds that were issued by the various companies with which you were connected as treasurer in these original issues of stocks and bonds?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. As to the amount issued?
Q. Yes.

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Approximately $9,000,000.00 worth.
Q. That is the total?

[fol. 3924] (Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes.
Q. Can you give us the amount that was issued by each company?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. By referring to a list I have here I can I believe. This information here comes from Moody's Manual.

Mr. Burr: Oh, I object to that.

Commissioner Maullar: I think that objection is well taken and should be sustained.

Q. Where did Moody's Manual get these figures, Mr. Taylor?

Mr. Burr: If you are the publisher of Moody's Manual——

Q. State whether or not you, as treasurer of these companies, ever gave any information to Moody's Manual as to the stock and bond issues of these companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I did.

Q. State whether or not the information that you are about to give or have offered to give, based upon Moody's Manual, is based upon the information which you gave to [fol. 3925] Moody's Manual at the time, in the years of which it speaks?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, in 1907 I would say that was information I gave them. In 1901 I was not in the business at that time.

Commissioner Maullar: Are these figures you expect to quote there of 1907 figures which you gave to Moody's Manual?

The Witness: Yes, sir.

Mr. Burr: Note an objection.

Commissioner Maullar: It may be admitted.

Mr. Burr: Note an exception:

By Mr. McConnaughey:

Q. Now, understand, I am asking you for the original bond issues of these companies which were put out at the time of their organization, and which represented, if they do represent, any part of the original construction cost of these companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. All right, sir; The Citizens Telephone & Message Company, $50,000.00. The Columbiana County Telephone Company, $260,000.00. The Columbus Citizens Telephone Company, $750,000.00. The Cuyahoga Telephone Company, $2,000,000.00. The Findlay Home Telephone Company, $90,000.00. The Home Telephone Company of Dayton, [fol. 3926] $250,000,00. The Lancaster Telephone Company, $75,000.00. The Massillon Telephone Company, $75,000.00. The Stark County Telephone Company, $500,000.00. The Toledo Home Telephone Company, $1,160,-

000.00. The United States Telephone Company, $2,156,-000.00. The Youngstown Telephone Company, $200,000.00. The Akron Peoples Telephone Company, $338,500.00. The Springfield-Xenia Telephone Company, $525,000.00. That is the list.

Q. Now in that same manner, and applying the question to the same period, that is the original issues of stocks that had to do with the original construction of the property, what amount of stocks were issued by these same companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, there was a little more stock issued than there was bonds. The list totals——

Mr. Burr: Just a moment; now is he reading a list which he compiled from Moody's in 1907 at a time when he did not have this information himself? Did you take the list from Moody's Manual, Mr. Taylor, or are you taking it from your own recollection?

The Witness: That is the figure I took out of Moody's Manual.

Mr. Burr: Now you proceed to testify as to stock. Is [fol. 3927] your information as to that stock based upon Moody's Manual or upon your own knowledge?

The Witness: Well, both.

Mr. Burr: Have you a complete knowledge of the stock information independently of what you found in Moody's?

The Witness: Well, as checked over in Mr. Hagenah's report, I think these figures are practically consistent with his figures taken directly from the books of the Company; approximately the same I think.

By Mr. McConnaughey:

Q. How is your own recollection with reference to these matters after consulting Moody's Manual and the Hagenah Exhibit?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. They are practically the same in total.

Commissioner Maullar: Do you have independent recollection, Mr. Taylor, of those figures, that they are practically correct?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

The Witness: Approximately correct, yes, sir.

By Mr. McConnaughey:

Q. And your purpose of referring to Moody's Manual with reference to the matter has been what?

(Same objection by The Ohio Bell Telephone Company; [fol. 3928] objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, in a way it was an independent sort of information that in some cases went back further than the information that I was familiar with; 1901 and 1902 in some cases.

Q. Well, what have you to say with reference to your reference to Moody's Manual as a matter which was based upon any experience of your own in connection with Moody's Manual?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, the figures of Moody's Manual reflect my own figures.

Q. I understand the Commission has ruled that you may go ahead and give those amounts.

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Of common stocks?

Q. Yes; you say "common stocks"; if there are any preferred stocks, mention those also.

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I have no records of any preferred stocks.

The Citizens Telephone & Message Company, $50,000.00 common stock.

[fol. 3929] The Columbiana County Telephone Company, $300,000.00.

The Columbus Citizens Telephone Company, $750,000.00.

The Cuyahoga Telephone Company, $3,000,000.00. I would say here that later that was reduced to $1,500,000.00, the par value being cut from $100.00 to $50.00 per share.

The Findlay Home Telephone Company, $150,000.00.

The Home Telephone Company of Dayton, $600,000.00.

The Lancaster Telephone Company, $100,000.00.

The Massillon Telephone Company, $75,000.00.

The Stark County Telephone Company, $500,000.00.

The Toledo Home Telephone Company, $1,160,000.00.

The United States Telephone Company, $3,100,000.00.

The Youngstown Telephone Company, $200,000.00.

The Zanesville Telephone & Telegraph Company, $200,000.00.

The Akron Peoples Telephone Company, $338,500.00.

The Springfield-Xenia Telephone Company, $600,000.00.

Q. What have you to say with reference to the relation of these securities—the par value of these securities to the construction cost of any or all of these properties; what is the total amount of those stocks?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. They total $11,123,500.00 I believe. The bond total was $9,129,500.00.

Q. Now what have you to say with relation or with reference to the relation of those securities, the par value of [fol. 3930] those securities, to the construction cost of any or all of those properties?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Simply this, that the construction cost was practically represented by the first mortgage bonds that were issued. It really represented the investment in the property.

Q. Now, Mr. Taylor, as the treasurer and financial officer of these companies, what had you to do with the accounting methods and systems that were followed by these various companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, I was the author of the accounting system that was adopted by the convention of auditors held in Louisville in 1903 or 1904, I have forgotten the exact date.

Q. And with reference to these particular companies what was your relation to their accounts?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I had charge of them.

Q. What was the practice of the company as to the manner in which telephones installed in subscribers premises and subsequently taken out were handled on the accounts of the company?

[fol. 3931] Mr. Burr: Note our objection.

Commissioner Maullar: How will that enlighten us as to this proceeding?

Mr. McConnaughey: It has a relation, if the Commission please, to the plant account, because it will show that these transactions were not, at one time at least for a period of several years, properly handled on the books of the company, and as a result of that the plant account of these companies reflected a lot of property that was taken out and should have been charged off, amounting to quite a lot of money. I do not know just what the total figure is that Mr. Taylor will testify to.

Mr. Burr: And what has The Ohio Bell Telephone Company to do with that, if Your Honors please?

Mr. McConnaughey: It has this to do with it, if the Commission please, the same thing that I said a moment ago, that these plant accounts have gone into the value at which this Commission has authorized the merger of these properties, and in that way is a present-day matter for consideration. And, furthermore, it will show that the plant account, as it exists on the books of the company at the present day, because of these improper practices in the earlier days, reflects a lot of property that was long since discarded and should not be there, and there should be an adjustment of the books similar to what Mr. Morse has testified to here with reference to other items.

Commissioner Maullar: You are trying to show what should be the proper book cost set-up?

[fol. 3932] Mr. McConnaughey: That is it. We think that the testimony will justify some adjustments of the book costs because of these practices.

Commissioner Huffman: This goes to the question of obsolescence then?

Mr. McConnaughey: It goes to the subject of actual retirement of property. The property has gone out and has not been charged off.

Mr. Burr: Are you attempting by this witness to impeach the testimony of Mr. Morse?

Mr. McConnaughey: No.

Mr. Burr: Who testified as to what he called his estimated original cost of the property?

Mr. McConnaughey: No, if the Commission please; Mr. Morse brought to the Commission the necessity for quite a number of adjustments on the books of the company that were based upon improper practices that were apparent upon the books of the company, for one thing, and upon historical data which he discovered in the files of the company with reference to the original capitalization, for another thing.

Now here is a thing that does not appear in the records of the company, but is a matter of fact that should have appeared but did not. And it is brought to you by the man who knows that it happened and who corrected the practice, and from the time he corrected it on we suppose it has been done properly.

Commissioner Maullar: It may go in for what it is worth and you may note an exception.

[fol. 3933] Mr. Burr: Note an exception.

A. For at least a period of five or six years in the early history——

Q. Well, up to what time?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, from 1902, say, up to 1907 or 1908, all new installations was charged in the construction or plant account and as telephones were removed the account was not

credited with the cost of installation—the construction cost, and——

Q. Now what was the effect of that on the plant account of the companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

Mr. Burr: Is it understood that the same objection and same ruling and same exception goes to each of these questions and answers?

Commissioner Maullar: That may be understood.

The Witness: Well, that effected enormous charges over the span of those years in plant account that should have been retired and the account credited.

Mr. Burr: I move that the word "enormous" be stricken out. It does not convey any idea of the extent.

Mr. McConnaughey: We will try to connect that up.

Commissioner Maullar: For the time being the word "enormous" may be stricken out.

[fol. 3934] Q. Now to what companies or in what companies did this practice apply, Mr. Taylor?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. All of these companies that I spoke of.

Q. Well, mention them by name, if you please?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. The Citizens Telephone & Message Company; The Columbiana County Telephone Company; The Cuyahoga Telephone Company; The Findlay Home Telephone Company; The Home Telephone Company of Dayton; The Lancaster Telephone Company; The Massillon Telephone Company; The Stark County Telephone Company; The Toledo Home Telephone Company; The Youngstown Telephone Company; The Zanesville Telephone Company; The Springfield-Xenia Telephone Company.

Q. What is that Citizens Telephone & Message Company that you mentioned; where is that located?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Fostoria.

[fol. 3935] Q. Now what amount did you find to be the proper amount to be charged to plant account on these take-outs?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, I will have to depend upon my memory for that. As I recall it, there was an actual loss of around $13.00 to $14.00 per station. In those days we charged the soliciting and a portion of the overheads and all that sort of thing into our construction accounts.

Q. Can you tell us what items entered into that ite-, of $13.00 or $14.00 and the amount of each item?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. No, I cannot. We arrived at that—we took from our construction account each month the cost of construction of subscribers stations; that was a substation account only; and divided the number of installations for the month into that total and then that gave us the cost of construction. From that we removed the cost of the instrument which always came back into our property account or warehouse, and the difference represented the loss for taking out the telephones and that was applied to the amount of take-outs during the month.

Q. What do you say as to the proportionate number of take-outs in the early history of these companies, and particularly during the period from 1902 to 1907, as to which [fol. 3936] you are now testifying, as compared with take-outs at the present day or later in the history of the telephone companies?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, I am not familiar with the present day figures. Our take-outs were approximately 75 per cent of our installations.

Q. During that period?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes.

Q. And what was the reason for that large amount of take-outs, if it was a large amount?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, in the early days there was a very poor class of business. It was taken and hooked up, and after the plants were in operation we found we could not collect the money and the telephones had to be taken out.

Q. Did you effect any change in the accounting practice of the company with reference to that?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

[fol. 3937] A. I started a change in the Cuyahoga Company in Cleveland in 1908 I think it was.

Q. And do you know what time in 1908?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. No, I cannot say.

Q. What change did you effect?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. We set up in our operating accounts an account to represent just what that monthly loss was through take-outs.

Q. Are you able to say, Mr. Taylor, to what extent the plant accounts of the various companies that pursued this practice to which you have testified, were affected by the failure to properly charge these take-outs?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, that would be an estimate at best.

Q. Well, please give your estimate and tell us upon what you base it and how you arrive at it?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

(Question Read.)

Mr. Burr: If you know.

[fol. 3938] The Witness: Well, throughout the various companies that I have listed there I would say that it would approximate around 3000 telephones perhaps, a month; maybe more and maybe less.

Q. Would that continue over the period of five years as you have testified?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. I would think so.

Q. And would it be figures at the rate of—what, per take-out?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, that depends. The cost of installation and take-outs was higher in the larger cities than in the smaller ones. The average—I would not say offhand what that average would be, but in Cleveland we found it would be around $13.00 or $14.00.

Commissioner Maullar: After deducting the salvage value of the telephones?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

The Witness: Yes, sir.

By Mr. McConnaughey:

W. Are you able to make an estimate of the total effect of that upon the plant account?

[fol. 3939] (Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. They were affected to the extent that there would probably be several millions of dollars over these periods of years and over these various companies that remained in their plant account that should have been removed by a proper accounting system and by proper credits each month.

Q. "Several millions" is rather indefinite. Can you give a more definite figure?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Well, approximately $3,000,000.00.

Q. About $3,000,000.00?

(Same objection by The Ohio Bell Telephone Company; objection overruled; exception by The Ohio Bell Telephone Company.)

A. Yes, sir.

Mr. McConnaughey: That is all, and you may cross-examine.

Mr. Burr: We will reserve our cross-examination until we have a copy of the testimony.

And thereupon the further hearing of this matter was adjourned until Thursday, February 24th, 1927, at nine o'clock A. M. Central Standard Time.

[fol. 3940] Morning Session

Thursday, February 24th, 1927.

Colloquy

Commissioner Maullar: All right, Gentlemen, if you are ready, you may proceed.

Mr. McConnaughey: If the Commission please, we have nothing further to offer at this time. We think we have given you completely the result of Mr. Hagenah's investi-

gation and all other facts that we have in shape to offer.

We have this suggestion to make, that in view of the fact that one of the Commissioners sitting is new in this case and on this Commission, it is peculiarly appropriate, inasmuch as the investigation is conducted by the Commission and under their direction, that the Commission should have the opportunity of determining for themselves whether or not there is any further investigation that ought to be made, or that can properly be made, and for that purpose we are suggesting that the record should not be closed at this time, but that a date be fixed far enough in advance so that time shall be given to give full consideration to the present status of the case, and the future possibilities of it, and in that interval counsel should prepare briefs of the facts as they have developed up to this time.

And if it should happen that there is any further investigation desired or necessary or possible, the briefs could be [fol. 3941] expanded to bring in any additional evidence, if there should be any, to that time; so that if no further investigation is conducted there will be no time lost in the final submission of the case.

That is our suggestion as to what should be done at this time.

Commissioner Maullar: Mr. Burr, you have some additional testimony to put on, or some cross-examination?

Mr. Burr: First let me say this, Your Honors.

While appreciating all that Mr. McConnaughey says with respect to the fact that two of the Commission are newly come into this case, I feel it my duty to call to the attention of the Commission the fact that this proceeding was instituted two years ago last October. The proceeding is to determine the proper valuation of the property of The Ohio Bell Telephone Company and the just and reasonable rates for its services throughout the State of Ohio.

Last March, early in March, The Ohio Bell Telephone Company in this case presented to the Commission a schedule of the principal rates which it considered the just and reasonable rates to be charged by it and to be fixed by the Commission as the result of this proceeding. I need not sketch the history of the case since October 14th when it was instituted, because the record shows that.

What I should do and now undertake to do is to register an objection on the part of The Ohio Bell Telephone Company against any unnecessary delay in this case.

[fol. 3942] I realize that a case of this kind requires considerable time in its presentation, and it may be that what counsel is suggesting now will not result in any further delay, but with the record kept open it is a little difficult for The Ohio Bell Telephone Company to brief its case, and it seems to me, if the Commission are going to take under consideration the question of whether or not they desire any further investigation to be made, a decision on that question should be reached promptly, and that thereupon, when the case is closed, it should be briefed.

With respect to the future conduct of the case, Your Honors will recall that yesterday a witness testified concerning some of the ancient history of the companies predecessor to the old Ohio State Telephone Company. He was not cross-examined yesterday, due in a large part to the shortness of the time and the fact that we desired to see his evidence transcribed to get from it certain of the figures which he undertook to give in his oral testimony. We have a transcript of that testimony now.

If the case could be closed this week and could be submitted to the Commission on the question of the tentative value we will be as diligent as possible between now and tomorrow morning and undertake to cross-examine Mr. Taylor, the witness to whom I refer, tomorrow.

If, on the other hand, the Commission determines to leave the case open, as suggested by counsel, then it is my suggestion that Mr. Taylor be cross-examined on March 4th, which I understand to be an open date next week.

[fol. 3943] The Ohio Bell Telephone Company certainly does not want to be placed in the position of hurrying the Commission in this case, nor of showing any lack of courtesy to clients for the State. That is far from my thought in making these suggestions this morning.

I do feel, however, that we ought to make time and that in justice to both The Ohio Bell Telephone Company and the Commission and the State, the case should be speeded.

Therefore, in the interest of speed, if it is to be closed and to proceed to consideration of the tentative value now, we will close our case tomorrow. If the Commission determines otherwise, then we will cross-examine Mr. Taylor, as I say, on March 4th if that is satisfactory to the Commission.

Commissioner Maullar: Mr. Burr, there will be no reason why you could not proceed with your cross-examination and

finish that tomorrow, and in the meantime the Commission will take under consideration the procedure as to whether we will close the case. I want to discuss that with the full Commission and possibly we can arrive at an early date when this case will be closed.

Further, I think the suggestion of Mr. McConnaughey, that the matter be briefed, especially for the benefit of the new members, is a good one, and I hope the briefs will contain all points in controversy in order that the new members may have the benefit of that.

Personally I cannot see a reason for prolonging the case [fol. 3944] if the testimony is in; but, however, the Commission will discuss that and will arrive shortly, I am sure, at a decision as to closing the case. However, I do believe you should proceed tomorrow morning on your cross-examination. We might not need March 4th.

Mr. Burr: May this be understood then, that we will proceed with the cross-examination tomorrow morning, with the understanding that if the Commission does not close the case after tomorrow without further hearing, and if we desire any further cross-examination of Mr. Taylor we may call him for subsequent cross-examination?

Commissioner Maullar: It will be open—if it is open for one side it will be open for the other. The case will not be closed unless it is closed to both sides.

Mr. Burr: In explanation of that I will say to Your Honors that where a man, more or less of a surprise witness, goes on the stand and testifies to matters 25 years old, it requires some investigation to test the credibility of his facts by the records, insofar as we may be able to trace them, and that is my reason for saying that if the case is not to be closed this week, if there are to be any further hearings, we would like to have it understood that at one of those further hearings we may have the privilege of recalling Mr. Taylor for further cross-examination in our discretion.

Commissioner Maullar: All right; then it will be understood that we will proceed tomorrow morning with your cross-examination, and following that the Commission will [fol. 3945] decide as early as they can arrive at a decision as to whether or not the case will be closed or kept open. And in the meantime, following the cross-examination tomorrow morning, we would suggest that briefs be prepared as indicated by Mr. McConnaughey.

Commissioner Huffman: As a new member on the Commission, I believe it is only fair to us to leave the case open until properly briefed and brought up to date for us to consider.

Mr. Dotson: If your Honors please, while I am just a sort of a hanger-on here in these hearings at this time, yet there is another angle to this hearing that is of vital importance to the various cities that have had a case pending here and whose cases are still pending, as Your Honors know; that the matter of further hearings will be of vital concern to us.

For instance, as I see it, when we are through with the State-wide hearing, the case, when it is taken up with reference to the cities, there will be some inquiry possibly that ought to be made, or the cities should have the opportunity of going into it, with reference to the value of the property in their respective exchange areas that will be allocated to that area from this State-wide inventory.

I do not know fully today yet how that valuation will show up in the Toledo area, and how it will compare with the tentative valuation already made, at a previous date, however, to the one that this will be governed by.

[fol. 3946] Commissioner Maullar: Wasn't a tentative value arrived at in Toledo and Dayton both?

Mr. McConnaughey: No, there was no tentative value in Dayton.

Mr. Dotson: In Toledo it was arrived at.

Now what little information has been furnished to us with reference to the value of the property on the State-wide appraisement situated in the Toledo area, it appears that it will be much in excess of the tentative valuation. We want an opportunity naturally to go into that and have a chance to be heard on it, and I apprehend other cities will want to do the same thing, insofar as that angle of the controversy will be of any importance to them. And I think that it will be of primary importance to Toledo because our case had progressed to the point of being almost complete and ready for submission when this State-wide inquiry was undertaken. And the tentative value having been fixed and the evidence submitted and practically a record completed with reference to the proposed rates that were claimed by the Company and claimed by the City should be fixed, that we want to conserve that record and have the benefit of it, and it will be vitally affected by the valuation that ulti-

mately will be fixed as of another date, which will be all right and proper, but we do not want to forfeit or lose the benefit of that tentative valuation that was fixed.

Commissioner Maullar: I just want to make this observation, Mr. Dotson, at this time, as one member of the Commission who has been through the case from its incep-
[fol. 3947] tion; that if we now determine the State-wide issue, which was brought about by reason of the numerous independent cases that were filed with the Commission—having completed that work and then start in to piecemeal it again, why it is a reversal of form and we will go right back over the ground that we tried to dispense-with.

Mr. Dotson: Well, if Your Honors please, I don't think that that would be the case. I think when we come to that that that will adjust itself in a way that will be agreeable; but to say for the various cities that, on the strength of the valuation made on this State-wide case, that we will be required to accept our portion of that based on the property that is in our respective areas, regardless of the tentative value that was fixed that might show a different result, a much lower valuation if that was completed down to the date of the State-wide valuation, I think we ought to have the benefit of that angle of the inquiry; that it will be of interest to the Commission and to the city that that valuation be brought down and that inventory continued from the date of the tentative valuation down to the date of the State-wide appraisal, and see what the result is.

That is what I am aiming at. I want to know that, and it seems to me that would be a fair thing to do. And when we have done that it may probably show a condition in the Toledo area that the State-wide inquiry would be an injustice—the valuation that would be carried into that and allocated to that district would not be justified insofar as [fol. 3948] the Toledo area is concerned.

Now if it is not, then of course we should not be burdened with it.

That is the only thing I am aiming at. I am not aiming at making a complete local case out of the Toledo case and disregarding the State-wide inquiry. I was intensely interested in it and in accord with it; but, as Your Honor remembers, we claimed the right to have our interests heard when this was over with and at a proper time.

I think it will be important to continue an inquiry such as I mentioned in order to form the basis of arriving at a basis for classifying or fixing the various classes of rates that will ultimately have to be worked out.

Commissioner Maullar: Would you think, Mr. Dotson, that the same request would come from Dayton, Akron, Canton, Youngstown, etc.?

Mr. Dotson: Well, they not having a tentative valuation fixed as we have in Toledo, I cannot speak for them. Our case I think is different from any other case because of that fact.

Mr. Burr: Different only in degree but not in kind, Mr. Dotson.

Mr. Dotson: Well, I don't know but what in kind as well. I have no contention with the other cities. I would not want to say anything here that would indicate that I was not interested in their inquiry. Whatever merit there may be in their future inquiry I should say they ought to have [fol. 3949] it, and would be willing to contend for it, but I am speaking from the basis of the Toledo case as it stands today on the record of this Commission; that there we had substantially completed our inquiry and we might have proceeded on a fixing of rates on the record that is here.

Commissioner Maullar: Have you some means whereby you could test out in your own way, Mr. Dotson, verifying your notion that there might be a lesser part of the whole allocated to Toledo?

Mr. Dotson: Why, yes, I have such in mind, and Mr. Burr has promised to furnish some information a little later on.

Mr. Burr: I think you are mistaken about any promise on my part, Mr. Dotson. I told you I would take it under consideration, but I made no commitment.

Mr. Dotson: That is correct.

Commissioner Huffman: May I ask counsel this; from my inspection of the record to date I have not found any testimony relating to an apportionment or allocation?

Mr. Dotson: No, there is not in this State-wide case.

Mr. McConnaughey: None has been introduced. We have had this thought in mind; this case divides itself naturally into three portions; first, there is the determination of the rate base, which is the starting point for all

subsequent proceedings; then the determination of a proper rate; then there must be a proper distribution of the rates [fol. 3950] over the State, over the various services that the Company renders, so as to give the Company the return that they are entitled to upon that rate base and upon that rate. Now just how that allocation is to be made will have to be determined upon the evidence that has been introduced and it is not impossible that there may have to be further studies along that line.

But it has seemed to us that it was not proper to enter into that particular study until the preliminary steps had been established. Then we thought it might be possible.

Commissioner Maullar: Until the tentative value is found?

Mr. McConnaughey: Yes. Then we thought it was possible, considering the various local cases in connection with the State-wide case, that it would be possible to arrive at a distribution that would be fair. There are different bases that are possible. There is this method that Mr. Dotson has suggested of determining values. That has the objection, of course, of practically requiring a local case within the State-wide case, which has its objections.

There is the method that is very often used of determining the distribution of the rate among the different cities on the basis of the number of stations in the different areas, and that sort of thing, which we have thought might possibly work out to the satisfaction of all concerned when we had the basis determined upon which we could work it out. But it is a step that is further along in the case. And I do [fol. 3951] not see any possible harm in having a general understanding that that whole subject is open until we come to it.

Commissioner Maullar: But you rather think the allocation is a step following the tentative value?

Mr. McConnaughey: Yes, that is a step following the tentative value in the determination of the rate of return.

We have a distribution here primarily between toll and exchange rates, to start with, and then of course the distribution between different exchanges, and then finally the distribution between different classes of service.

Mr. Hagenah reminds me of the fact that we know that we have done considerable work along the line of investigating a basis for that distribution, but we have not thought

it was advisable, or, in fact, possible, in this state of the record, to attempt to relate that study with what the Commission may finally do in determining the rate base.

Mr. Burr: I quite agree with Mr. McConnaughey that the case should proceed to the fixing of the tentative valuation before any consideration is made of either the rates in total sum, which are just and reasonable, or the allocation of those rates to different exchanges.

Replying to what Mr. Dotson has said, a brief history of this case is perhaps in order.

By October, 1924, there were some forty odd pending [fol. 3952] rate cases involving rates of The Ohio Bell Telephone Company.

Most of those cases had come about by reason of the fact that after the consolidation of 1921 between The Ohio State Telephone Company and the old Ohio Bell Telephone Company, the service of the two former companies was consolidated in the localities where dual service had theretofore existed, resulting in a readjustment of rates due to the fact that after the consolidation of the properties the rates affected would be for consolidated or unified service.

The Canton case, the Dayton case, the Toledo case, as examples, had consumed weeks and weeks of the Commission's time. There were literally thousands of pages of record in those cases. Many of the issues involved were common to all of those cases. And so the situation had come to such a pass that the Commission was practically overwhelmed with telephone rate cases which were taking up most of the time of the Commission.

I think Mr. McConnaughey will bear me out that we had hearings for a week steadily in some of those cases, and then for another week and then for another week, perhaps for as many as two weeks out of the many taking all of the time of the Commission.

And, as I say, the situation had come to such a pass that in October the Commission, of its own motion, took the "bull by the horns" and decided to consolidate all those cases and consider and determine in one cause the prop- [fol. 3953] erty valuation of the Company and the rates to be charged by it for all its service all over the State of Ohio.

We have spent two years so far—more than two years, in an investigation of the property values. How much longer it is going to take to determine the tentative valua-

tion and then the final valuation and then the rate schedule is problematical.

But I want to register at this time my protest—or, better, the protest of The Ohio Bell Telephone Company, against any effort to split this case up into separate exchange rate proceedings, they being exactly the things which the Commission undertook to obviate when this Company-wide case was instituted.

Mr. Commissioner Maullar will bear me out in that, I think.

I think at the beginning of the record in this case, which was attended by most of the City Solicitors of the large cities interested, it was agreed that this was the only solution to the situation which otherwise would be intolerable.

Now I do not know just what Mr. Dotson has in mind—but if he means that after the Commission shall fix the tentative valuation and the final valuation and a schedule of rates effective for the State as a whole, that thereupon this case shall proceed to a separate consideration of the just and reasonable rates for exchanges, by exchanges, we want to register a protest now, and do it as often as the question [fol. 3954] comes up. I do it respectfully, but none the less earnestly. I have done it before, and whenever the question comes up the Commission will have to bear with me long enough to permit me to register a similar protest as I now do.

Mr. Hagelbarger: Representing the City of Akron, if the Commission please, I concur in the view of Mr. McConnaughey in regard to any further consideration of the particular rate in Akron after the valuation is fixed.

Mr. Dotson: If Your Honors please, I do not want to be misunderstood here, and I do not think I need to be misunderstood.

I am not attempting to interject any discord here or place any handicap in the way of a proper and full conclusion of this State-wide case. My only thought is this, that after the tentative value is fixed, and I think that should be done at the earliest date convenient, that then, before the final value is fixed, the Commission ought to have, as well as the Cities, as far as necessary, an opportunity to know how that valuation will be affected or would be affected by a case like Toledo's.

Now it seems to me that it will be of distinct advantage to this Commission in arriving at the final valuation put upon the State-wide property to know what the valuation in Toledo would be of that property if that case had continued down to the date of the State-wide case, and by continuing the inventory of the Toledo area from the date of the tentative value down to the date of the State-wide case.

[fol. 3955] It seems to me that if that is done that it will show some things that the Commission ought to know, that might be found to pertain to other exchange areas in the State, that might very materially affect the final valuation in the State-wide property.

Now this should not be in any manner a reflection, and would not be a reflection, upon the State-wide inquiry.

I want now and here to state that I am most highly delighted with the way in which the State-wide case has been handled, from both points of view, on the Cities' side as well as the Company's side.

There has been a proper spirit of cooperation and collaboration between the engineers and the representatives of the State and the Company that has facilitated the hearing very, very much, and a very high degree of spirit of fairness and earnestness in the matter that has made the hearing what it should be.

The work of Mr. Hagenah and his associates I think is most deserving of the highest merit of approval. But at the same time the inquiry was so extensive and involved so many different situations in the State, which were disclosed, just as Mr. Burr has said, through these various individual cases—and the individual cases still have their individual characteristics just the same; and to that extent it seems they should receive consideration at the hands of the Commission.

[fol. 3956] We feel, therefore, that we will find it at that juncture necessary to carry on some inquiry to a degree at least that will be more or less of a local nature but nevertheless will be very material and will have a very material bearing upon the State-wide case.

That is the only thing I have in mind.

Now if Mr. Burr will furnish me with an inventory of the property in the Toledo area from the date of the tentative value, taking that as a basis and bringing it down to the date of the State case, I think it will probably answer our

purposes in the main and will be able possibly to obviate any further requests from the Commission. But if that is not done I would feel that my duty would not be properly performed as the representative of Toledo, if I did not come before the Commission and ask for an order upon the Company to do it. And I only make that statement now to make it full and complete. I do not think that will be necessary. I think we will be able to get it; notwithstanding Mr. Burr has not promised it, yet I think we will be able to get it.

Commissioner Maullar: That is a matter that would naturally follow the tentative value of the property in the State-wide case under any consideration I think.

Mr. Burr: It would follow, Your Honor, quite; but in spite of my friendship with Mr. Dotson, I am bound to give notice here and now, that if, between the time when the tentative valuation is fixed and the final valuation is fixed, an attempt be made to turn this case back into the status [fol. 3957] of several rate cases, we will have to meet that situation when it comes and be governed accordingly.

Commissioner Maullar: I do not believe that is the purpose.

Mr. Burr: I think, without undertaking to arrogate to my client any virtues to which it is not entitled, that we at least have been patient in this case, and we want to continue to be patient. But in our efforts to be patient we naturally invite and hope for some cooperation.

Mr. Dotson: You must not forget, Mr. Burr, that you have had your rates in Toledo right along and we have been paying them.

Mr. McConnaughey: I think it might be proper to add one thought to what has been said on this subject. In the handling of this case on behalf of the State, we very much appreciate what Mr. Dotson has said of a commendatory nature, the more because this inquiry, from my personal connection with it, arose out of my association with a local case and my association with the men who were engaged in conducting the local cases. And I might say that all the way through this inquiry we have been in touch with representatives of the Cities and have had suggestions from them from time to time and have been guided to some extent by the suggestions that they have made, and we are very grateful to them for a great deal of assistance, and

real assistance—material assistance, and moral support all [fol. 3958] the way through and it is gratifying to know that at this time any one or more of them are satisfied to express satisfaction with the progress of the matter up to this time.

Now with respect to this local situation, it occurs to me that basically what each city is entitled to is that the rates in that city shall not be out of proportion to the rates in other cities; that they shall be fairly related, the one to the other, and all combined should give the Company a fair return.

Now in determining what is proper in each city basically there would be the arithmetical proportion one to the other.

In addition to that, it is possible—it is conceivable that there may be conditions in one city or another which might justify that city in claiming some special consideration because of special circumstances.

I have not in mind any such conditions particularly, but it is conceivable that they might exist.

Now those things cannot be determined, as I think we all agree, until we have the basis established from which we can figure, and I believe we all thoroughly understand each other, that that question is merely an open one with nobody committed to any particular method of handling it until we reach it.

Commissioner Maullar: All right; then we will proceed tomorrow morning with further cross-examination on behalf of the Company, and following that the Commission will, [fol. 3959] when we have an opportunity, discuss the matter fully with the whole Commission to determine as to what condition the record will be left in pending the final finding of the tentative value.

And thereupon the further hearing of this case was adjourned until Friday, February 25th, 1927, at ten o'clock A. M.

[fol. 3960] Morning Session

Friday, February 25, 1927.

And thereupon the further hearing of this matter was resumed, pursuant to adjournment, before Honorables Frank B. Maullar, J. W. Huffman and William Klinger, Public Utilities Commissioners.

Commissioner Maullar: If you are ready, gentlemen, you may proceed.

Mr. Burr: For the benefit of Mr. Commissioner Klinger who has just come on the bench in this case, may I explain that day before yesterday there was offered by the state a witness, H. B. Taylor, who testified in chief to certain of the financial history of some of the old independent telephone companies antecedent to the present The Ohio Bell Telephone Company. His cross-examination was postponed until this morning and we are now proceeding with the cross-examination.

Will Mr. Taylor please resume the stand?

[fol. 3961] H. B. Taylor, recalled for purposes of cross-examination, having been heretofore duly sworn, testified as follows:

Examined by Mr. Burr.

Q. In your direct examination, Mr. Taylor, you testified to certain syndicate transactions with which you were concerned involving some of the predecessor companies of The Ohio State Telephone Company back in the years 1902 and 1903. What were you trying to show by your evidence Mr. Taylor?

Mr. McConnaughey: I object. The evidence speaks for itself. Mr. Taylor is not in a position to make any argument as to the effect of his evidence.

Commissioner Maullar: I think it would be argument.

Mr. Burr: The question is withdrawn.

Q. You testified in general to the fact that in the case of certain of the companies with which you were connected $230.00 in securities were issued against every $100.00 of cash paid into the company; that is true isn't it?

A. Yes.

Q. And you were one of the syndicate which perpetrated that sort of a transaction were you not?

A. I was one of the subscribers and members of the syndicate.

Q. Yes; you were one of the members of the syndicate. Now do I understand you to say that on the liability side of the books of these companies, you having testified that your system of accounting was adopted by these companies, [fol. 3962] there was shown the bonds and stocks referred

to in your testimony at their face or par value, and on the other side, plant to the amount of those bonds and stocks?

A. Yes.

Q. How did you happen to be called as a witness in this case?

A. Because of my early knowledge of the business.

Q. Did you volunteer certain things which might be used in the case?

A. I was asked for the knowledge I had of the early history of the companies, yes.

Q. And did you say to whoever it was who asked you that you had been guilty of some accounting practices in connection with these old companies which might now be used against The Ohio Bell Telephone Company in this case?

A. I did not say that I had been guilty of any special accounting practice, but that I had carried out the common practices of those days.

Q. Well, you were a party to the plan whereby, for every $100.00 of cash paid into the treasury of those companies, $230.00 of securities were issued, were you not?

A. I was.

Q. Was that a part of this accounting system which you say you formulated and which was adopted at the Louisville convention of telephone men?

A. That had no part to do with the accounting system.

Q. I see. It did not have anything to do with the accounting system. Who formulated this scheme of issuing $230.00 of securities against $100.00 of cash?

A. I can not answer that. That was the basis on which all telephone plants were being built in those days generally.

[fol. 3963] Q. Well it was done by Ohio men, wasn't it?

A. In this particular case at Toledo, yes.

Q. And without any help from the outside; for example Wall Street had nothing to do with that plan?

A. Not at that time.

Q. It was an Ohio plan pure and simple wasn't it?

A. At that time yes, sir.

Q. Well now in what school of financing did you learn this method of telephone financing whereby $230.00 of securities could be issued for each $100.00 of plant shown on the company's books?

A. Well that plan had been worked out before I got into it.

Q. Who had worked it out?

A. Various construction companies.

Q. Did The Ohio Bell Telephone Company have anything to do with that plan?

A. Not at that time.

Q. Or did the Ohio Bell System so far as you know?

A. Not that I know of.

Q. Or any company connected with the Bell System?

A. Not to my knowledge.

Q. Or any of its officers or agents or employees?

A. Not to my knowledge.

Q. Now The Ohio State Telephone Company was not in existence then was it?

A. No, sir.

Q. That was from ten to twelve years before that company came into existence was it not?

A. It was.

Q. But you had learned this method of financing by the time you had reached the age of 24 had you?

A. Yes.

[fol. 3964] Q. And it was at that age that you were a member of one or more of these syndicates, for example the Toledo one?

A. Yes.

Q. Were you ever employed by The Ohio Bell Telephone Company or any of the Bell System companies in any capacity?

A. No, sir.

Q. Do you know anything about its accounting methods and practices?

A. I do not.

Q. Did you ever appraise any of its property?

A. No, sir.

Q. Did you ever appraise the property of any telephone company?

A. No, sir.

Q. Do you know anything about what was the fair value of the property of the constituent companies which were consolidated into The Ohio State Telephone Company on July 24, 1914?

A. I have a reasonably good idea of their value, yes, sir.

Q. You had never appraised them though, had you?

A. No, sir.

Q. You believed them to be fairly worth the amount fixed as their value by the Commission in that case, didn't you?

(No reply.)

Q. Now isn't it a fact, Mr. Taylor, that you were working——

Commissioner Maullar: Let him answer the first question, Mr. Burr.

Mr. Burr: I will withdraw the question.

[fol. 3965] Q. Isn't it a fact, Mr. Taylor, that during all of the negotiations and proceedings leading up to the formation of The Ohio State Telephone Company by consolidation, you were being consulted from time to time?

(No reply.)

Q. Weren't you?

A. Yes, in some respects.

Q. You afterwards became the treasurer of The Ohio State Telephone Company, didn't you?

A. Yes.

Q. And you knew of these proceedings before this Commission didn't you?

A. Yes, sir.

Q. You attended the hearing when the companies—the constituent companies presented their application to this Commission for leave to consolidate into The Ohio State Telephone Company, didn't you?

A. I don't believe I did.

Q. You do not believe you did; you could have attended, couldn't you?

A. I could, yes.

Q. And you did not at that time say to the Commission or anybody else anything about these practices that you had indulged in some twelve or fourteen years ago, did you?

A. I had no occasion to.

Q. What is the occasion for doing it now?

A. The request for the information.

Q. Who requested it?

A. These gentlemen representing the State in the case here.

Q. Did you ever compile any unit costs for the purpose of retiring property of a telephone company or for the purpose of an appraisal for rate making purposes?

A. May I have the question again?

[fol. 3966] (Question read.)

A. No, sir.

Q. Did you ever keep books for a telephone company in accordance with the accounting system of the Interstate Commerce Commission, adopted by this Commission?

A. No, sir.

Q. Well, now, The Ohio State Telephone Company was formed in the year 1914, wasn't it?

A. Yes, sir.

Q. And at that time this Commission had adopted the system of uniform accounts for telephone companies of the Interstate Commerce Commission as this Commission's system of account for telephone companies, hadn't it?

A. I am not so sure of that date; I was not in the accounting end of the business at that time.

Q. You are not an accountant then?

A. I say I was not the accountant for the company at that time.

Q. You were treasurer, weren't you?

A. Yes, sir.

Q. Didn't you know how its books were kept?

A. Not from the detailed accounting system after I left the accounting department.

Q. You would not undertake to say that the Ohio State Telephone Company, of which you were treasurer from 1914 to 1917, violated the rules of this Commission and the accounting system prescribed by this Commission, would you?

A. No, sir.

Q. You do not believe they did, do you?

A. I don't think so.

[fol. 3967] Q. What kind of a system of telephone accounting was it of which you say you were the author and which was adopted by the convention of auditors of telephone companies held in Louisville in 1903 and 1904?

A. A system of accounting that was constructed to set up the operations of the telephone business, its expenses and revenues and that sort of thing.

Q. Was that the system whereby when instruments were taken out of service their cost was allowed to remain in the plant accounts?

A. Not at that time, no.

Q. But you say that practice obtained in the case of these companies up to the year 1907 or 1908, didn't you?

A. Yes, sir.

Q. And that was not in accordance with your system?

A. Not the original system, no, sir.

Q. All right; then you did not insist on these companies with which you were connected following this system of accounting that you believed in and that had been adopted by these auditors, did you?

A. At that time I was not familiar with the business and did not know much about that particular phase of it.

Q. You were familiar enough to subscribe $100.00 and receive in return $230.00 in securities, weren't you?

A. Yes, with many thousands of other people.

Q. How could you get up a system of accounts for telephone companies if you did not understand telephone accounting—if you were not familiar with it?

A. Because I had been trained in the accounting business [fol. 3968] in various different businesses. I merely applied the principle to the telephone business that suited its peculiar nature.

Q. And it is of a peculiar nature, isn't it?

A. Yes, sir.

Q. Was this convention held in Louisville a convention of telephone accountants?

A. Yes, sir.

Q. And after that convention which adopted your system of telephone accounting, you still say that you were not familiar with the telephone business enough to know about this retirement of telephones without crediting the plant accounts with their retirement; is that right?

A. Those were conditions with which I became familiar as I got more and greater knowledge of the telephone business.

Q. How could you formulate a system of accounting for telephone companies without knowing what should be done when an instrument is taken out of service; will you tell me that, if you please?

A. Well, that was just one of the details that was overlooked and was not given consideration at that time.

Q. Is there anything more important in the accounting of a telephone company than the proper accounting for its retirements?

A. No, there is not.

Q. So that after two or three or four or five years you were in a sort of a twilight zone during which time, notwithstanding you had prescribed a method of accounting for telephone companies, you did not know what should be done with respect to those retirements; that is true, isn't it?

[fol. 3969] Mr. Postle: Well, if the Commission please, I do not know whether he wants the witness to say he was in a twilight zone, or not.

(Question read.)

Commissioner Maullar: I think he may answer that. The witness is able to take care of himself.

Mr. Postle: I object to the comment, Mr. Commissioner, is all.

Mr. Burr: No implication was intended by the comment. That part of it may go out if it offends you.

Mr. Postle: All right.

Q. The Commission says you may answer the question, Mr. Taylor.

A. I have lost part of the connection of the question.

(Question read.)

A. Well, those phases had not been given any consideration in accounting methods.

Q. Notwithstanding you say it is one of the most important things in telephone accounting. What did your plan or system of telephone accounting which was adopted by these independent telephone auditors in Louisville provide in the case of retirements such as we have been talking about?

A. At that time it provided nothing.

Q. I see. Did The Ohio State Telephone Company ever adopt or use your system as far as you know?

A. After their organization they had the prescribed system of the Interstate Commerce Commission, I believe.

[fol. 3970] Q. Right—right. Did The Ohio Bell Telephone Company, or any of the predecessor Bell Companies ever use your system, as far as you know?

A. Not that I know of.

Q. What had been your experience prior to the time when you started with The Toledo Home Telephone Company in 1902?

A. I had been an accountant with The United States Steel Corporation.

Q. With what?

A. With The United States Steel Corporation.

Q. How long had you held that position?

A. Three years.

Q. Three years; that is starting when you were 21 years of age?

A. Yes, sir.

Q. Were you treasurer and auditor of all of the constituent companies mentioned in your testimony in chief from 1906 to 1914 with the exception of The Columbus Citizens Telephone Company?

A. No.

Q. Were you connected in any way with all of those companies with the exception of The Columbus Citizens Telephone Company?

A. Yes, sir.

Q. Did you have anything to do with the issue of bonds or stocks of The Columbus Citizens Telephone Company?

A. I did not.

Q. Or of The Home Telephone Company of Dayton?

A. No.

Q. Both of those companies were constituent companies of The Ohio State Company, weren't they?

[fol. 3971] A. Yes, sir.

Q. You did, however, in your testimony, at page 15 of your testimony—I do not know what page of the record yet, because no page has been assigned to it; you did in your testimony quote certain bond issues of the different constituent companies, including The Columbus Citizens Telephone Company and The Home Telephone Company of Dayton; do you want the Commission to understand now that they should be excluded from this financing scheme that you have been talking about? You say that you had nothing to do with their financing?

A. No, I had nothing to do with theirs.

Q. So that you do not know anything about how the stocks or bonds of those companies were issued; that is, for what consideration?

A. Practically the same as it was in all other cases.

Q. Will you swear that in the case of The Columbus Citizens Telephone Company for every $100.00 which went into

that property 115 per cent of bonds and 115 per cent of stock were issued?

A. No, I would not swear to that.

Q. Will you do that in the case of The Dayton Company?

A. I will not.

Q. Will you do it in the case of The Columbiana County Telephone Company?

A. I will not.

Q. Will you in the case of The Cuyahoga Telephone Company?

A. I will not, no, sir.

Q. Or The Findlay Home Telephone Company?

[fol. 3972] A. I will not.

Q. Or The Lancaster Telephone Company?

A. I will not.

Q. Or The Massillon Telephone Company?

A. I will not.

Q. Or The Stark County Telephone Company?

A. I will not.

Q. Or The Toledo Home Telephone Company?

A. I will.

Q. You will in that case? (No reply.)

Q. Will you in the case of The United States Telephone Company?

A. I will not.

Q. Will you in the case of The Youngstown Telephone Company?

A. I will not.

Q. Will you in the case of The Akron Peoples Telephone Company?

A. I will not.

Q. Or The Springfield-Xenia Telephone Company?

A. I will not.

Q. Now, as a matter of fact, Mr. Taylor, The Akron Peoples Telephone Company was not one of the constituent companies parties to The Ohio State consolidation, was it; or, to put it in another way, wasn't it acquired by The Ohio State Telephone Company some years after its formation?

A. It was.

Q. And The Springfield-Xenia Telephone Company referred to in your testimony never was acquired by The Ohio State Telephone Company, or never became a part of it by the consolidation, did it?

A. No, sir.

[fol. 3973] Q. What was your connection with The Springfield-Xenia Telephone Company, and for how long?

A. I supervised their accounting for a period of approximately a year.

Q. Approximately a year?

A. Yes, sir.

Mr. McConnaughey: At what time?

The Witness: 1903 I would say.

By Mr. Burr:

Q. Do you know that the present Ohio Bell Telephone Company, in September, 1922, bought the property of The Springfield-Xenia Telephone Company; do you know that?

A. I understood it was acquired; I am not sure as to the date.

Q. Now according to your testimony that company issued stock to the extent of $600,000.00 and bonds to the extent of $525,000.00 against its original construction—as I understand it from your testimony in chief, but I understand now you do not swear to that?

Mr. McConnaughey: Oh, no, no; you asked him if he would swear to that proportion of 230 to 100 and he said he would not, and he did not say so yesterday either.

Mr. Burr: All right.

Q. Very well; let us have an understanding about it now. Do I understand you to say that $600,000.00 in stock and $525,000.00 in bonds were issued by The Springfield-Xenia Telephone Company, of your own personal knowledge?

A. Those exact figures, I got them from Moody's Manual. I think that is approximately the figures—not the original issues, but at the time of 1901 and 1902.

[fol. 3974] Q. On what terms were those stocks and bonds issued to the subscribers, if you know?

A. Well, that plant at that time, when I first became acquainted with it, was handled by the same people that built Toledo.

Q. But will you swear that the securities of that company were put out either to a syndicate or any one else at less than their par or face value?

A. Well, as I did not handle the sheets I cannot answer, but in principle——

Q. You do not know though, do you?

Mr. McConnaughey: Just finish your answer; what was it you added?

The Witness: I said in principle they were put out on the same basis as the others.

By Mr. Burr:

Q. How do you know they were put out on the same basis in principle, and what do you mean by the term "in principle"?

A. Well, because the interests that were building telephone plants at that time—there was an interchange of ideas, and——

Q. And you infer from that that the same thing was done in the case of The Springfield-Xenia Company as was done in Toledo?

A. Approximately the same thing.

Q. And didn't you swear here on the stand day before yesterday that that actually had been done in the case of The Springfield-Xenia Telephone Company?

A. I did not.

Q. Well, let the record speak for itself. Now let us take the case of The Columbiana County Telephone Company; have you any actual knowledge of the price at which the stock and bonds of that company were put out either to [Vol. 3975] the public or to a syndicate?

A. Not actual knowledge.

Q. Very well; have you any actual knowledge in the case of The Columbus Citizens Telephone Company?

A. No, sir.

Q. Or in the case of The Cuyahoga Telephone Company?

A. No, sir.

Q. Or in the case of The Findlay Home Telephone Company?

A. No, sir.

Q. Or The Citizens Telephone and Message Company of Fostoria?

A. No, sir.

Q. Or of The Home Telephone Company of Dayton?

A. No, sir.

Q. Or of The Lancaster Telephone Company?

A. No, sir.

Q. Or The Massillon Telephone Company?

A. No, sir.

Q. Or The Stark County Telephone Company?

A. No, sir.

Q. The Toledo Home Telephone Company, I believe you say you have?

A. Yes.

Q. Have you any actual knowledge—any such actual knowledge in the case of The Youngstown Telephone Company?

A. No, sir.

Q. Or The Akron Peoples Telephone Company?

A. No.

Q. I think we have already covered The Springfield-Xenia Telephone Company?

(No reply.)

Q. Now I think you said that you were familiar with [fol. 3976] the fact that the present Ohio Bell Telephone Company bought the property of The Springfield-Xenia Telephone Company in the year 1922; do you know that that property was purchased by The Ohio Bell Company after a valuation fixed upon the property by this Commission and after the authority of this Commission had been given for its purchase?

A. No, sir.

Q. You do not know that?

(No reply.)

Mr. Burr: I offer in evidence first the order of this Commission in Cause No. 2077, being "In the Matter of the Joint Petition of The Springfield-Xenia Telephone Company and Central Union Telephone Company",—the latter substituted by The Ohio Bell Telephone Company in the proceedings—"for such consent and approval as may be necessary to permit them to respectively sell and purchase certain property".

It may be marked for identification as Company Exhibit AA-1, and is offered in evidence.

Commissioner Maullar: It may be admitted.

And thereupon the Document last above referred to is admitted in evidence on behalf of The Ohio Bell Telephone Company and is herewith submitted and marked Company Exhibit AA-1.

Q. Mr. Taylor, you have testified to $1,125,000.00 of securities as having been issued by The Springfield-Xenia

Telephone Company at the time of the original construction [fol. 3977] of the property. Do you want this Commission to understand that nothing was ever added to that property and paid for out of the earnings of the Company?

A. I cannot answer for that.

Q. Do you know the final valuation, reproduction cost new and value in present condition, fixed by the Commission for that property; that is, The Springfield-Xenia Telephone Company; in this case in which The Ohio Bell Telephone Company asked leave to purchase it?

A. I do not.

Mr. Burr: We offer in evidence Company Exhibit AA-2, which is a copy of the final summary of this Commission showing the valuation, reproduction cost new and present value, of the property of The Springfield-Xenia Telephone Company, the summary having been made in Cause No. 2077 immediately or shortly before The Ohio Bell Telephone Company was authorized to acquire the property of that company.

Commissioner Maullar: Is that the summary accepted by the Commission?

Mr. Burr: That is the final summary. It shows a reproduction value of $1,104,429.71, and value in present condition, or present value, as it is termed in this portion of the Commission's valuation, of $829,921.99.

Mr. McConnaughey: We object to both of these exhibits.

Mr. McConnaughey: On what ground, Mr. McCon- [fol. 3978] naughey.

Mr. McConnaughey: Well, if it is rebuttal of Mr. Taylor's testimony, if the Commission please, it speaks of a date so far removed from the date of his testimony that it cannot possibly have any bearing upon the truth or falsity of that statement. I do not know what other purpose could be served by offering it at this time.

Mr. Burr: It will show, Your Honors, that whatever may have been the previous history of this Company, and whatever wrongs may have been committed, if any were, they were entirely righted by this Commission and by The Ohio Bell Company at the time it acquired the property. And if I can be permitted to proceed a little further with this witness I will think he will admit that that is true.

Commissioner Maullar: I think the exhibits may be admitted.

Mr. McConnaughey: Note an exception. The only proper connection between this testimony and the present situation would be worked out upon the basis of how these matters got into the plant account of the present Ohio Bell Telephone Company.

Mr. Burr: I am just going to follow that up and I will see to it right now.

And thereupon the Document last above referred to is admitted in evidence on behalf of The Ohio Bell Telephone Company, subject to the above objection and exception of the State of Ohio, and is herewith submitted and marked [fol. 3979] Company Exhibit AA-2.

Mr. Burr: Now I will ask Mr. Schneider, who has already been sworn, a question regarding that.

[fol. 3980] And also WALTER G. SCHNEIDER, recalled on behalf of The Ohio Bell Telephone Company, having been heretofore duly sworn, testified as follows:

Examined by Mr. Burr:

Q. I will ask you, Mr. Schneider, whether you know the value or cost—book cost, at which the property of The Springfield-Xenia Telephone Company, authorized by The Public Utilities Commission to be purchased by The Ohio Bell Telephone Company in Cause No. 2077, was taken onto the books of The Ohio Bell Telephone Company? In other words, what do the books of that Company show as the original or book cost of that property to The Ohio Bell Telephone Company?

A. The original entry on the books of The Ohio Bell Telephone Company for the property purchased from The Springfield-Xenia Telephone Company was $615,261.82.

Mr. McConnaughey: What relation has that to these other exhibits? I do not see any such amount as that here.

Mr. Burr: If you will refer to the Commission's order No. 2077, down in the next to the last paragraph, you will find there the authority of the Commission to purchase the property at a consideration of $615,000.00.

Mr. McConnaughey: That is what I have been looking for in that order.

Mr. Burr: Well, I looked for it all day yesterday myself and finally found it. It is there.

Mr. McConnaughey: Oh, on the second page; I see; all right.

[fol. 3981] And also H. B. Taylor, resuming the stand for further cross-examination, having been heretofore duly sworn, continued his testimony as follows:

Cross-examined by Mr. Burr:

Q. Now, Mr. Taylor, having testified to all these securities issued by The Springfield-Xenia Telephone Company and to the value of that property found by this Commission——

Mr. McConnaughey: Now wait a minute; he has not testified to the value found by this Commission.

Commissioner Maullar: No.

Mr. Burr: All right. Very well. It is in evidence, and I call attention to the evidence, in passing, as follows: Here is a witness who, for some purpose, not entirely disclosed, it seems to me, has testified to the issuance by The Springfield-Xenia Telephone Company of $1,125,000.00 of securities at the inception of the company. He has inferred that that issue was not altogether what it should be. He has not sworn to it; he has inferred it.

Mr. McConnaughey: Well, that is not a true statement either.

Mr. Burr: We have offered in evidence the valuation fixed by this Commission, a detailed appraisal of this property, later bought by The Ohio Bell Telephone Company, the Commission's appraised value being $829,921.99; that is, in [fol. 3982] present condition.

And we call attention to the fact at this time that when that property was taken by The Ohio Bell Telephone Company and put on its books, it was put on its books at a valuation of an even $215,000.00 less than the valuation found for the property by this Commission.

Commissioner Klinger: Can you give any reason why they did it?

Mr. Burr: Yes, Judge Klinger, because The Ohio Bell Telephone Company bought the property at something of a bargain.

Commissioner Klinger: For less than the finding——

Mr. Burr: Less than it was worth, yes. And, since you have asked me, we considered that the thing to do, the

proper thing to do, was to put the property on our books at what we paid for it under the contract and not at the greater amount found by the Commission to be its value in present condition.

Mr. McConnaughey: You do not claim, Mr. Burr, that the property that the Company bought was the property that was originally installed, and as against which the original stock issues were issued?

Mr. Burr: No. I would say, Mr. McConnaughey, if you are asking me, that it would be that property plus a great deal more that had been installed from 1902 to 1922.

Commissioner Maullar: You may proceed.

By Mr. Burr:

Q. With respect to the other companies, that is, those which later became consolidated into The Ohio State Tele- [fol. 3983] phone Company, you were the treasurer of or connected with most of them at the time of the consolidation, were you not?

A. Yes, sir.

Q. And you became the treasurer of the consolidated company, that is to say, The Ohio State Telephone Company?

(No reply.)

Mr. Burr: I may say, for the benefit of the record at this point, something which is already in evidence but which may explain to Your Honors some of the questions heretofore propounded to this witness, and those which will be now asked him.

The record shows that, commencing with, say, the year 1900 or about that time and down to the year 1914, there were, among others, some fifteen so-called independent telephone companies operating in various parts of the State.

On July 25th, 1914, those independent companies were consolidated into a new independent company called The Ohio State Telephone Company. After that company had operated for many years, that is to say, in the year 1921, that company, the large independent telephone company in this State, was consolidated under the authority of this Commission with the old Ohio Bell Telephone Company. That was in 1921.

I do not know whether there are any other historical facts that Your Honors would like to have in connection with this cross-examination, and what I have just stated is probably

stated two or three other times in the record; but at the risk of repeating something which you already know I thought [fol. 3984] it ought to be stated again.

Mr. McConnaughey: Mr. Burr, in that connection let me add to that statement that in Hagenah Exhibit No. 1 in which there is a study of the book cost of the properties, on page 4 the statement is made, and borne out elsewhere by various tables, that "The Ohio State Telephone Company began business with a book value of property and plant aggregating $20,692,334.64 consisting of the aggregate book values of the properties of the constituent companies adjusted, however, to reflect changes in capitalization, current assets and liabilities taken over or assumed, etc", and that statement refers to the list of companies preceding the statement itself on page 4, which list includes The Citizens Telephone & Message Company, The Columbiana County Telephone Company, The Columbus Citizens Telephone Company, The Cuyahoga Telephone Company, The Findlay Home Telephone Company, The Home Telephone Company of Dayton, The Lancaster Telephone Company, The Loudon Home Telephone Company, The Massillon Telephone Company, The Stark County Telephone Company, The Toledo Home Telephone Company, The United States Telephone Company, The Washington Home Telephone Company, The Youngstown Telephone Company and The Zanesville Telephone & Telegraph Company, which list includes all but the Akron and the Springfield-Xenia Companies of those that Mr. Taylor mentioned in his testimony day before yesterday.

Commissioner Klinger: What are you reading from?

Mr. McConnaughey: I am reading from an exhibit that was offered in evidence by Mr. Hagenah in this case known [fol. 3985] as Hagenah Exhibit No. 1, in which he sets forth the result of a study of the plant account of The Ohio Bell Telephone Company commencing with the original entries on all of those constituent companies so far as they were able to be found, and I think it fair to say that they found the original books in every case excepting that of The Home Telephone Company.

Commissioner Klinger: That is The Columbus Home Telephone Company?

Mr. McConnaughey: The Columbus Citizens; that was also included; Mr. Taylor, however, did not testify with reference to any securities that were issued by The Columbus Citizens Company.

Commissioner Huffman: Which do you refer to as the "Home Telephone Company"?

Mr. McConnaughey: The Home Telephone Company of Dayton I should have added.

Mr. Burr: In connection with the further interrogation of this witness I call attention to the portion of the record just read by Mr. McConnaughey which, in speaking of the aggregate book values of the properties of the constituent companies, says "Adjusted, however, to reflect changes in capitalization, current assets and liabilities taken over or assumed, etc."

Mr. McConnaughey: And I may add that by a careful analysis of the adjustments that were made it will be found that these faults in the original set-up on the books were not corrected by those adjustments. I do not think it neces- [fol. 3986] sary to go into the details of that at this time, but we will undertake to show that by a more careful statement when we prepare our briefs.

By Mr. Burr:

Q. Coming now to the consolidation resulting in the formation of The Ohio State Telephone Company, do you recall the petition or the application to the Commission in that case?

A. Yes.

Q. Do you remember that it was printed?

A. Yes.

Q. And given fairly general circulation?

A. Yes.

Q. I will ask you if you recall this paragraph from that application; Paragraph 10; after stating certain cancellations of capital obligations of the constituent companies, the application proceeds as follows:

"Paragraph 10. The following summary shows the practical net decrease in capital liabilities to be accomplished by the consolidation:

Present capital liabilities of constituent companies above mentioned:

Total stocks and bonds herein above enumerated	$22,970,037.00
Total of surplus accounts, etc, herein above mentioned	$2,598,888.00
And a total	$25,568,926.00

Less stocks and bonds of new company to be issued ($15,056,000.00) plus balance surplus accounts carried forward ($350,000.00), plus bonds of constituent com-	
[fol. 3987] panies to be assumed by new company, ($8,060,200.00), less $2,850,000.00 of new cash to be received by new company	$20,616,200.00
Net decrease	$4,952,726.00''

Do you remember that?

A. I do not remember it specifically except as I see it now.

Q. Well, does that refresh your recollection?

A. Sure.

Q. And that was in the application, wasn't it?

A. Presumably.

Mr. McConnaughey: Do you know whether it was or not?

The Witness: I do not know definitely. I presume it was.

By Mr. Burr:

Q. In any event, Mr. Taylor, you were familiar with that consolidation as it proceeded, were you not?

A. In certain respects, yes.

Q. Consulted from time to time?

A. Yes, sir.

Q. The Commission did authorize that consolidation, didn't it?

A. I believe they did.

Do you remember that at the hearing on the application an appraisal was offered to the Commission of all the property of the constituent companies?

A. I do not recall that, no.

Q. Don't you remember that such an appraisal was prepared while you and all the other officers of these constituent companies were working on this consolidation; you remember that, don't you?

[fol. 3988] A. I presume that to be the case; I have forgotten it particularly, Mr. Burr.

Q. Well, to the best of your knowledge there was an appraisal made and submitted to the Commission, wasn't there?

Mr. McConnaughey: If you know.

Q. Don't you remember that?

A. I do not remember the particulars of the appraisal, no.

Q. But you remember that an appraisal was made and submitted to the Commission, don't you?

A. There must have been, yes.

Q. Of course.

Mr. McConnaughey: Well, do you remember that?

The Witness: I do remember it specifically, but I assume there must have been.

Commissioner Klinger: You mean to say you remember that it occurred but do not remember any of the details?

The Witness: No, I do not remember specifically that it was done; I assume it was done.

Mr. Burr: We next offer in evidence as Company Exhibit AA-3 the order of this Commission in Case No. 288 authorizing the consolidation of the constituent companies named into a consolidated company under the name of The Ohio State Telephone Company.

Commissioner Klinger: That is the formation of The Ohio State Telephone Company?

Mr. Burr: Yes, Your Honor.

Commissioner Klinger: That was in 1914?

[fol. 3989] Mr. Burr: Yes, sir.

Mr. McConnaughey: I think that is already in evidence.

Mr. Burr: I think it is already in evidence but I am offering it again so that it will be available with this witness's testimony.

Commissioner Maullar: It may be admitted.

And thereupon the Document last above referred to is admitted in evidence on behalf of The Ohio Bell Telephone Company and is herewith submitted and marked Company Exhibit AA-3.

Q. After the issuance by the Commission of its order No. 288, Company Exhibit AA-3, the consolidation of those constituent companies was consummated, was it not, and you became the treasurer of The Ohio State Company?

A. Yes.

Q. Do you remember what was the book cost to the Ohio State Company of the property acquired by it in the consolidation as set up on its books at the time its books were opened?

A. I do not.

Q. You were the treasurer though at that time, were you not?

A. Yes, sir.

Mr. Burr: I call the attention of the Commission, if you please, to this fact, that in this order of the Commission the Commission fixed as the value of the property of the constituent companies thereby consolidated into the new [fol. 3990] or consolidated company the sum of $23,500,000.00.

Q. Now you say you do not remember at what amount that property was set up on the books of the Company. Let me see if I can refresh your recollection by calling your attention to Hagenah Exhibit No. 1, page 54, headed "The Ohio State Telephone Company, property and plant accounts by years, from July 23rd, 1914, to September 20th, 1925"; please look at the last amount in the first column of figures shown on that page under the heading of "Opening entry July 23rd, 1914," and tell the Commission whether the $20,692,334.64 there shown as the opening entry was not, as a matter of fact, the opening entry shown on the books of the Ohio State Company at that time?

A. I am not familiar with those figures. I did not set them up.

Mr. Burr: It is not necessary, because the record already shows that that was done. And I call attention in passing to the fact that notwithstanding the Commission fixed a valuation of $23,500,000.00 on that property, the actual amount at which it was taken on the books was $20,692,334.64, or about three million dollars less than the value found by the Commission for the property.

Q. Mr. Taylor, in opening the books of The Toledo Home Telephone Company did you set up its issued stock and bonds on the asset or the liability side of the ledger?

A. The liability side.

Q. You did not also put them in on on the asset side, did you?

A. Hardly.

Q. You are sure of that, are you?

A. Absolutely.

[fol. 3991] Q. What did you place on the asset side of the books of that company?

A. On that opening entry?

Q. Yes.

A. Plant and property accounts.

Q. Actually paid for?

A. Yes.

Mr. McConnaughey: What do you mean by "actually paid for"?

Q. Well, if you put it in at the price paid for it it could not be offset entirely by the 115 percent of stock and the 115 percent of bonds, could it?

A. I mean by that that it was paid for by the construction company. The figures set up represented what had been paid plus this additional percentage of stock and bonds that were issued.

Q. Let me ask you if that is what you did; when you issued thw $1,160,000.00 of stock and the $1,160,000.00 of bonds, how much cash was received by The Toledo Home Telephone Company?

Mr. McConnaughey: At the time that stock was issued, do you mean?

Mr. Burr: Yes, and in return for it.

The Witness: I do not know as I just understand that. That money was received by the construction company who, in turn, issued construction receipts for which these stocks and bonds were issued.

Q. Well, do I understand you that you turned over all of this stock and bonds, $1,160,000.00 of each, to a construction company?

A. No; to holders of construction receipts.

Q. To holders of construction receipts?

A. Yes.

[fol. 3992] Q. And what did those holders of the receipts pay for that stock and those bonds?

A. For each $100.00 they paid in they received $115.00 in common stock and $115.00 in bonds.

Q. Now The Toledo Home Telephone Company issued these securities, didn't it?

A. Yes.

Q. It had to?

A. Yes, sir, certainly.

Q. Now to whom or to what did it deliver those securities?

A. They delivered them to the subscribers to these construction receipts—to the subscribers to the stock, rather.

Q. To the subscribers to the stock?

A. Yes, sir.

Q. Very well; then you as a subscriber to the stock of The Toledo Home Telephone Company received a certain amount of bonds and a certain amount of stock, didn't you?

A. Yes

Q. Was that stock and were those bonds given to you—delivered to you?

A. Yes.

Q. And what did you do with them?

A. Are you speaking about what I received personally or for the general list of subscribers?

Q. I am trying to find out how this transaction was conducted; I don't believe the Commission understands it yet, and I confess I do not. I am totally in the dark about it. Now we will start over again. The Company itself of course had to issue such stocks and bonds as were issued?

A. Yes.

[fol. 3993] Q. And it had to issue them either to somebody or something, didn't it?

A. Yes.

Q. Now you were a subscriber, as I understood you to say, to the stock of the telephone company; is that right?

A. Yes, sir.

Q. Did you receive, in return for your subscription, a certain amount of its stock and a certain amount of its bonds?

A. Yes, sir.

Q. Very well. Did all the other subscribers to the stock receive the same?

A. Yes.

Q. Very well. Now then was the construction company a subscriber to the stock and bonds?

A. No, sir.

Q. Then, if I understood you, all the stock and all the bonds were issued by the company to individuals; is that right?

A. Yes.

Q. What did those individuals do with that stock and those bonds? We have it so far in the hands of individuals.

A. Well, they retained them, I suppose.

Q. Well, now, where did the construction company come into the scene?

A. Well, in their contract with these subscribers or underwriters their contract provided that they would receive

15 per cent in stock and 15 per cent in bonds on the money spent in the construction of the property.

Q. The construction company then built the plant under a contract whereby it was paid this money that you subscribers had paid for the stock and bonds; is that right?

A. Yes, the money was paid in to them.

Q. Plus fifteen per cent of stock and fifteen per cent of [fol. 3994] bonds for every $100.00 of construction which the construction company installed?

A. Yes, sir.

Q. Is that right?

A. Yes, sir.

Q. Now then, the fifteen per cent of stock and the fifteen per cent of bonds which the construction company received under that arrangement was contributed by you and the other subscribers to the stock under your syndicate agreement; isn't that right?

A. It would amount to that. The contract provided that was their profit.

Q. In other words, the company did not issue any bonds or stock to the construction company in addition to paying it the money that the Toledo Company had on hand, but that bonus, if we may call it that, of stock and bonds which went to the construction company was contributed by you syndicate members; isn't that right?

A. It amounted to that.

Mr. Burr: Does that straighten it out, Your Honors? In other words, as I understand it, this bonus that went to the construction company did not constitute stock and bonds issued by the company in addition to the $230.00 for every $100.00 issued to the syndicate, but that this bonus came from the syndicate members.

The Witness: I do not think you understand that.

Mr. McConnaughey: You have one fact left out there, Mr. Burr, and I think that would be cleared up if Mr. Taylor would state what this construction company was. Who constituted this construction company you speak of?

The Witness: Do you mean the individuals?

[fol. 3995] Mr. McConnaughey: No, I mean how were they related to the whole transaction? Isn't it a fact, in other words, that the construction company was the syndicate, and the syndicate was the construction company?

The Witness: In reality, yes.

Mr. McConnaughey: And weren't the people who built the plant interested in it and contributed to it along with other people who came in with cash contributions?

The Witness: Yes, sir.

Mr. McConnaughey: I think if he would be permitted to state just how this was done, commencing at the beginning, the fact that subscriptions were made and payments were made on them and certain certificates were issued, and then when the job was finished the amounts called for by these certificates, the amounts of bonds and stocks, were delivered to these certificate holders, we would have it all cleared up—if he would go into it in that chronological order, just as it happened.

Mr. Burr: Well, as a matter of fact, it is not material enough, it seems to me, to waste any more time on it, Your Honors.

Commissioner Huffman: I think the original statement shows that.

Mr. McConnaughey: This was an inside construction proposition. The people that put the money into it were interested in the construction to that extent. The actual construction was done by just a few members.

Commissioner Huffman: I think that is sufficently con-
[fol. 3996] tained in the record of the original testimony.

By Mr. Burr:

Q. Returning for a moment to the system of accounting of which you were the sponsor, I understood you to say that from 1902 up to, say, 1907 or 1908 all new telephone installations were charged to the construction or plant account, and as telephones were removed the fixed capital accounts were not credited with that cost of installation; that is right, isn't it?

A. Yes, sir.

Q. With the result, I think you said, that approximately three million dollars remained in the plant accounts of the company "which should have been removed by a proper accounting system and by proper credits each month"; that is correct, isn't it?

A. Yes, sir.

Q. Very well. Now, as a matter of fact, wasn't the real situation that when a telephone instrument was removed, that is to say, came out of service, it was carried in the

store room and later reused at some other location without again charging it to plant?

A. No, sir, when it was returned to the take-out it was charged to the stock—the telephone instrument itself.

Q. But what I mean is this; when you took a telephone out of service you did not credit it to plant, did you.

A. That was what should have been done. The construction account was credited with this telephone instrument alone which was returned; the warehouse account charged to it and the construction account credited with the instrument returned.

[fol. 3997] Q. In other words, then, when you removed a telephone or took it out of service, did you credit the cost of that telephone to construction?

A. Yes, sir.

Q. To plant?

A. Yes, sir.

Commissioner Klinger: Just a question. You put it in stock but how did you take care of that item of labor and material that brings the wire into your building?

The Witness: That was lost.

Commissioner Klinger: Did you charge it off as a loss?

The Witness: It had not been charged off, no, sir.

Commissioner Klinger: As I understand, you did not tear out the wiring, except taking the instrument out of the house?

The Witness: The drops were removed but the interior wire——

Commissioner Klinger: The company connecting it up did not have anything to do but put the instrument in the house?

The Witness: For the most part the drop and the wires had been removed.

By Mr. Burr:

Q. Do you know, as a matter of fact, that the drops were ever removed in the case of any of those companies?

A. It was customary to do it.

Q. It was customary with those companies? As a matter of fact, wasn't the drop allowed to remain in position against the time when it might be used again?

A. I think not. I think that in some of the towns and [fol. 3998] cities ordinances provided that those things should be removed.

Q. Well, do you know that they were removed?

A. Yes.

Q. In what cities?

A. Well, they were removed—I know they were removed in Toledo and we used to remove them in Cleveland.

Q. Do you know of a case in which the inside wiring was ever removed? Wasn't it always left in place, Mr. Taylor?

A. I am not so sure about that. We were not so keen to leave anything there for the other fellow to use in those early days.

Mr. McConnaughey: What do you mean by "the other fellow"?

The Witness: Competitors.

Mr. Postle: As far as you know the wiring was not removed, the inside wiring?

The Witness: I never saw a specific case where it was removed, but lots of junk wire and that sort of thing were returned almost daily by our construction gangs that represented drops taken out and that sort of thing.

Commissioner Maullar: In that day, Mr. Taylor, wasn't there a sort of a war on to see which company could keep the telephones in?

The Witness: There certainly was.

By Mr. Burr:

Q. Now you say that that resulted in a loss of about $14.00 per telephone removed?

A. Yes.

Q. How do you arrive at that figure of $14.00?

[fol. 3999] A. Well, in those early days we had to pay, and our contract costs were practically $3.00 apiece for getting the business, and if I remember correctly it cost us about $6.00 for linemen, labor and material.

Q. Of installation?

A. Well, the lineman's work from the cable box and stringing the drops to the subscriber's station, and about $3.00 for the installer and his labor and material, and a certain amount of overheads and central exchange connections, and the setting up of the records for the new account, and that sort of thing, in the early days were capitalized into the plant account.

Q. Just how did your 1903 system of accounting provide that those removals should be accounted for?

A. It did not provide for any.

Q. Did not provide for any at all? How was the initial installation taken care of?

A. It was charged to construction.

Q. How was the initial wiring taken care of?

A. Charged to construction.

Q. And the instrument itself?

A. Charged to construction.

Q. How was the labor of removing the instrument taken care of?

A. Through maintenance charges.

Q. What does the Interstate Commerce Commission System of Accounting—or how did the Interstate Commerce Commission System of Accounting differ from this system of yours that was in force?

A. I do not know, Mr. Burr; I am not familiar with it. [fol. 4000] Q. Notwithstanding the fact that for three years you were treasurer of The Ohio State Telephone Company, which conformed to The Interstate Commerce Commission's system?

A. I had absolutely nothing to do with the accounting in that period.

Q. Was there an accountant of The Ohio State Company at the time you were treasurer?

A. Yes, sir.

Q. Was there an accountant of the predecessor companies at the time you were their treasurer or assistant treasurer?

A. Yes.

Q. How did your accountant take care of these station removals?

A. I am not familiar with what he did.

Q. Then how do you know that the company lost $14.00 on every take-out?

(No reply.)

Q. As a matter of fact, you do not know at all, do you?

A. That was my experience when I was an accountant myself.

Q. Oh, yes; now when were you an accountant?

A. Those figures were used—figured out in 1907 and 1908.

Q. And you do not know what the accountant of these different companies did with respect to those take-outs, do you, as an actual fact, from your own knowledge?

A. I do not know what the other fellow did.

Q. I thought so. Now you said that the take-outs would average 3000 instruments a month; will you swear to that?

A. That was my estimate according to my best recollection.

[fol. 4001] Q. Now on what was your recollection based; did you have anything to do with the plant accounts?

A. Well, I was familiar with the volume of business that was established at that time and during that period throughout the State.

Q. Now out of those 3000 take-outs how many did you allocate to The Citizens Telephone & Message Company of Fostoria?

A. Probably about 50 a month.

Q. And how many to The Columbiana County Company?

A. I have not allocated any, Mr. Burr. That was a general estimate for the entire state.

Q. A very wild guess, wasn't it?

A. Not necessarily, no.

Q. Well, on what did you base it; you cannot allocate it per company, can you?

A. I have not undertaken to.

Q. What?

A. I have not undertaken to.

Q. And you could not if you tried, could you?

A. Not without going back into the records.

Q. All right; then how did you arrive at this 3000? Did you just pick it out of the air or on what did you base it? I am curious to know.

A. Well, it is based on the approximate gains that were being made by the telephone interests in the State at that time.

Q. Well, I know, but can't you give the Commission something more definite? You have undertaken to give a figure of 3000 and you have undertaken to say that there is a three million dollar loss to these companies by reason [fol. 4002] of that fact; now that is a very serious thing to make an accusation of that kind.

A. That is not an accusation; that is my estimate of what it would amount to.

Q. Well, it amounts to an accusation, if you please, and I am going to ask you again where you got that figure of 3000, and if you cannot tell the Commission, will you then please say so?

A. It was an estimated figure.

Q. And what was your basis for the estimate?

A. Well, for example, take one specific case like Toledo; we had an average installation there of, say, 600 a month.

Q. You had an average installation there of 600 a month?

A. Yes, sir.

Q. What was your average installation for each of the other companies?

A. Well, sometimes around 1000 a month, or more in Cleveland; it was spasmodic; it was up and down.

Q. How about all the other companies; you do not know then what theirs were?

A. Not actually, no.

Q. Was this three million dollar loss to which you have referred suffered equally by all of the companies in proportion to the number of stations, or what companies have to bear, or should bear, the loss of this three million dollars that you have been talking about?

A. It was distributed pro-rata over different companies.

Q. You know that their station take-outs were the same on the average for each of these companies all the way from 1902 to 1908?

A. No, I do not know definitely; I have not prepared any figures to support that.

[fol. 4003] Q. As a matter of fact, you haven't any figures to support the three million dollars, have you?

A. I have not sought out any.

Q. And you won't swear that there were 3000 removals per month during that period?

A. No, sir, I have not sworn to it.

Q. Nor a three million dollar loss; you won't swear to that fact, will you?

A. I cannot.

Q. Now this business of issuing $230.00 of stock and bonds for each $100.00 of cash paid in applied in the case of The Toledo Home Telephone Company only to the original construction of the property, did it not?

A. Yes, the original construction.

Q. And all of that amount was charged to property and plant?

A. Yes, sir.

Q. Now, as a matter of fact, weren't the securities of some of these companies concerning which you have testified issued on the inception of the companies, and then subsequent

stocks were issued a year or more after the company's original construction?

A. Possibly in some cases; I am not familiar with that.

Q. And isn't it true that all of those companies constructed and paid for a certain amount of net additions and betterments out of earnings as they went along during the period from 1902 to 1914?

A. Well, they could not have built a great deal out of their earnings because they did not have a great amount of earnings to build from.

[fol. 4004] Q. Well, do you want this Commission to understand that nothing of that kind was done?

A. Not nothing; there was some of it done, yes.

Q. Now let us take the case of the Toledo Company; didn't that company in that period install additions to the amount of $800,000.00 to a million dollars and pay for that out of earnings?

A. In what period?

Q. In the period from 1902 to 1914?

A. Not to my knowledge. I left there in 1906.

Q. But it might have, might it not, for all you know?

A. For all I know, yes, sir.

Mr. Burr: I do not believe we can finish now. If we can adjourn now I think we can probably finish in twenty minutes after lunch.

Commissioner Maullar: All right, we will recess until 1:30 o'clock.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day, Friday, February 25th, 1927.

[fol. 4005] Afternoon Session

Friday, February 25th, 1927.

And also H. B. Taylor, resuming the stand for further cross-examination, having been heretofore duly sworn, continued his testimony as follows:

Cross-examined by Mr. Burr:

Q. When you opened the books of The Toledo Telephone Company, Mr. Taylor, did you set up entries such as those shown for that company in Hagenah Exhibit No. 1 at page 80.

A. The first entry was plant and property representing these items on the debit side, and the credit side or liability side the stocks and bonds, and later the plant and property accounts were segregated into the various items like the plant and the buildings or real estate, materials and supplies on hand and tools and equipment and other specific assets.

Q. Now will you swear that the $2,327,751.20 shown in the last line of the first column of figures on that page does not represent property and plant?

A. That includes property and plant and the difference between the total par value of the securities and these individual items as set up.

Q. Then it does not quite state the fact, does it, with [fol. 4006] respect to the property and plant account of that company?

A. With respect to individual items; the plant account is the account in which the water, we will say, is charged.

Q. And therefore that $2,151,886.57, as a matter of fact, was a fictitious item, wasn't it, in part?

A. In part, yes, sir.

Mr. Burr: That is all.

Commissioner Maullar: Is that all? Have you any redirect?

Mr. McConnaughey: Yes, I want to ask one or two questions.

Redirect examination.

By Mr. McConnaughey:

Q. Mr. Taylor, you were asked a question this morning, or a series of questions, as to whether or not you had actual knowledge concerning the issue of the original securities of these various companies and their relation to the plant accounts of those companies, and you answered that you had not actual knowledge. Now will you state to the Commission what you understood by the question "actual knowledge," and what was your intention in answering that question as you did?

Mr. Burr: I object to it. It seems to me actual knowledge is a question for the Commission to interpret.

[fol. 4007] Commissioner Maullar: The objection will be overruled.

Mr. Burr: Note an exception.

Commissioner Maullar: You may explain.

The Witness: Why, my actual knowledge related to not having had the actual issuing of the securities that would make for specific knowledge in these cases, but my familiarity with the accounts and the companies and the people connected with them supplied the general information that I had in this connection.

Q. I wish you would state what you had to do with the accounting of the Toledo Company; what was your direct relation or your relation to the accounting of the Toledo Company during the time that you were connected with it directly?

A. I had direct supervision of the accounting.

Commissioner Maullar: What were the years?

The Witness: 1902 to 1906.

By Mr. McConnaughey:

Q. Now with what other of these companies did you have direct relations with the accounting, if any?

A. The Cuyahoga Company, from June, 1906, until the first of the year 1909.

Q. Now what did you know, if anything, about the accounting process of the other companies as to which you have testified, particularly with reference to the manner of charging or crediting the take-outs during the period prior to 1908?

A. Well, none of them had any division in their operating accounts providing for such charges or items.

[fol. 4008] Q. And what have you to say with reference to whether or not the take-outs were in any manner reflected in the plant accounts of those companies?

A. They were not.

Q. Now you have testified in chief to an estimate of the number of take-outs upon which you base your estimate that there were probably $3,000,000.00 of plant account lost through the practice of not crediting those take-outs; I wish you would state again as nearly as you can just how you formed that estimate?

A. Well, principally from my direct connection with the Toledo Company and the Cleveland Company during that span of years when our installations, for example, at Toledo averaged around 500 a month and at Cleveland say around 1000, and then spread that over the entire system through-

out the State, and I pro-rated it in about the same proportions as the take-outs in Cleveland and Toledo represented, which was about 75 per cent to 80 per cent.

Q. Now you said that at Toledo you recall that the installations would run about 500 a month?

A. Yes.

Q. And what number of take-outs do you recall occurring during that period?

A. Around 75 per cent.

Q. Now I understand that that is a mere matter of recollection?

A. Yes, sir.

Q. Have you had access to any records that have enabled you to check up that recollection in any way or is it a pure matter of recollection?

A. It is a matter of recollection.

[fol. 4009] Q. And in Cleveland you say there were 1000 installations per month, as you recall it; what is your recollection of the number of take-outs as against that 1000 installations?

A. 750, or 75 per cent.

Q. Now that has seemed to be a large proportion of take-outs to the number of installations; have you any explanation to make, based upon your recollection of the conditions that existed at that time, which would explain the relatively large number of take-outs with reference to the installations?

A. Well, in a general way; the scramble for the business in those days made for the taking of poor contracts. We got them where we could get them, oftentimes three or four from a counter-jumper in a ten cent store.

Q. What do you mean by that "three or four from a counter-jumper"?

A. Well, direct commissions were paid to the solicitors and they would go out and get contracts and very frequently we would have contracts with two or three different people that were irresponsible, and in many instances all that they wanted was to get them to sign on the dotted line and—"you don't have to take it and don't have to keep it", and all that sort of thing. There were so many telephones put it on that class of contracts that there was a series of years following when credits were given serious consideration, and prospective subscribers were looked up as to their ability to pay.

A good many years in the very beginning there the question was to increase your subscribers' list more than any-
[fol. 4010] thing else; that was the big object; and many poor contracts were taken and when the collections did not come in the telephones were taken out, and in many cases when twenty-five cents a month telephones were put in they would take ours out; and conditions of that kind also made for a large number of take-outs.

Q. I was going to ask if there was a competitive condition at that time which influenced the number of installations and withdrawals of service?

A. Yes, there was. In Toledo I remember distinctly that for at least a year or two that what was called the kitchen telephone was put in in many instances for nothing, and perhaps in some cases 25 cents a month, with the understanding that they would take out the independent telephone and they could have this service for such rates.

Q. What company was your competitor at that time?

A. The Central Union.

Q. And what was the system of paying for securing contracts?

A. In the earlier days, on a straight commission basis.

Q. And when was the payment made for the contract under that system?

A. Well, when the contract was turned in at the end of the week they were paid for on that basis.

Q. Do you recall anything in connection with conditions in franchises that led to heavy installations of service at this sort of rates or low rates?

A. Well, in many cases I believe the franchise requirements provided that a definite number of telephones be in-
[fol. 4011] stalled by a definite date; for that reason frequently they took contracts wherever they could get them and put them in in order to have that required amount of subscribers by the definite date prescribed in the franchise.

Q. Well, now, I will ask you again, having gone over the manner in which you made this estimate, whether you have anything different to say in reference to the amount that you consider is in these plant accounts improperly because of this improper practice to which you have testified?

A. No, I believe that is conservative.

Mr. McConnaughey: That is all.

Commissioner Maullar: Mr. Taylor, did not those competitors' practices that you have just detailed make for expense of both companies?

The Witness: Sure.

Commissioner Maullar: In giving telephone service?

The Witness: Sure.

Commissioner Maullar: Any further cross-examination?

Recross-examination.

By Mr. Burr:

Q. Calling your attention to the initial issue of securities by the companies other than the Toledo Home Telephone Company, were you present when the securities of those companies were issued?

A. No.

[fol. 4012] Q. Did you see the money or the checks paid for them?

A. No.

Q. Do you know the amounts paid for them?

A. No.

Q. Did you ever see any records which showed on their face that the securities had been disposed of by the issuing company at a discount?

A. No, not the original.

Q. According to your testimony the Toledo Company issued a total of $2,320,000.00 in securities; now will you look at Hagenah Exhibit No. 1, page 80, and tell the Commission what is shown for the total property account of that company as of July 23rd, 1914, the date when the consolidation of The Ohio State Telephone Company became effective?

A. $3,182,534.00.

Q. In other words, from December 31st, 1902, to July 23rd, 1914, the company had grown from $2,327,751.00 to $3,182,534.00. Where did the money come from which represented that growth, if you know?

A. I am not familiar with the figures beyond 1905.

Q. Well, it did not come from the issue of stock or bonds any way, did it; you know that, don't you?

A. I do not know of any issues that were made in that period.

Q. Now to the best of your knowledge and belief no further securities were issued by The Toledo Company after 1903 or 1904, were there?

A. No.

Mr. Burr: That is all.

Commissioner Maullar: Is that all? Is that all you have, Mr. Burr?

Mr. Burr: Yes, sir.

* * * * * * *

[fol. 4013] And thereupon the state of Ohio rested on this Branch of this cause.

And thereupon the Ohio Bell Telephone Company rested on this Branch of this cause.

And the foregoing was all of the evidence offered, introduced and admitted on behalf of The Ohio Bell Telephone Company and on behalf of the State of Ohio on this hearing of this cause.

[fol. 4014] BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

No. 3307

In re Proposed Increased Rates of THE OHIO BELL TELEPHONE COMPANY

ARGUMENTS

Before Honorables William Klinger, Chairman, and F. B. Maullar, Public Utilities Commissioners, Thursday, July 7th, 1927

Appearances:

Mr. Karl E. Burr, on Behalf of The Ohio Bell Telephone Company.

Mr. A. M. Calland, on Behalf of the State of Ohio.

[fol. 4015] Afternoon Session

Thursday, July 7th, 1927.

Commissioner Maullar: You may proceed.

Mr. Burr: I am here, Your Honors, pursuant to the suggestion that Mr. Harry R. Allensworth be permitted to have certain information and access to certain records in the office of The Ohio Bell Telephone Company.

It is my understanding that Mr. Allensworth has been employed by the Attorney General of the State in some capacity in connection with the present company-wide rate

case involving the rates and services of The Ohio Bell Telephone Company.

Heretofore this Commission has ruled that while the books of the Telephone Company are open to its—that is to say the Commission's engineers, they are not open to outsiders or to other people.

I am not sure in exactly what capacity Mr. Allensworth has been employed, but I believe that the Telephone Company is entitled to know that as a matter of record, whether he is in the employ of this Commission and whether, so employed or not, the Telephone Company is to be ordered by this Commission to permit him access to its books and records.

In short I believe the Telephone Company is entitled to have Mr. Allensworth's status in this case, if it be a status in this case, established on the record, in order that, if the Telephone Company desires, it may object to it, and if its objections are overruled, its exceptions may be noted.

[fol. 4016] In passing I call attention to this fact, probably already known to Your Honors; the consolidated case, Number 3307, was instituted by the Commission on its own motion on October 14th, 1924. The consolidated case proper, therefore, is almost three years old. Parts of the consolidated case are more than five years old, having been begun as early as June, 1924.

Throughout this proceeding the Telephone Company has been striving for speed. I believe I am correct in saying that while there have been long, long delays in this case, not one of them has so far been due to the fault or neglect or omission of the Telephone Company. I think the record will show that at the appointed time the company has been ready always to go forward with its case.

I think the record will show, on the other hand, that at the times appointed for the State's case to go forward there have been no hearings, and failure to hold these hearings has not been due to the request or fault of the Telephone Company.

There are thousands and thousands of pages of record in the case. The case has been submitted to the Commission on the question of the tentative valuation. It has been briefed by both sides, both in opening and in reply briefs, and speaking for myself and for The Ohio Bell Telephone Company I see no reason why this case should not now proceed to an early and prompt fixing by this Commission of

the tentative valuation, in order that one of the steps to be [fol. 4017] accomplished in this case may be behind us.

The State has already spent many, many thousands of dollars investigating the books and records of The Ohio Bell Telephone Company and in submitting an appraisal through its engineer especially employed for that purpose.

The Telephone Company courted the fullest investigation. I think the Commission's engineer testified that the company had cooperated with him in an effort to make a full disclosure of everything he desired in connection with his work in the case.

However, the case now being opened up apparently anew by the entry of another engineer into the field, whose exact status I do not quite understand, seems to me to spell or predict just one thing and that is further delay in this case.

I am here to protest against any such employment and against any such delay.

I could go on and expand at some length the situation in which the Telephone Company finds itself. Suffice it to say that for months and months and months it has been claiming here before this Commission that its property is the subject of daily confiscation. If its contention in that respect is correct then the delay thus far is manifestly unfair to the Telephone Company and every day's further delay is all the more unfair.

To conclude, however, without going into that part of the situation in detail, let me say that the Telephone Company, and I as its attorney, feel under the necessity of *of* object- [fol. 4018] ing as strenuously as possible to the employment of Mr. Allensworth in this case unless he be an employe of this Commission.

The Telephone Company objects to his going into the company's books unless as an employe of the Commission; and even if as an employe of the Commission he is expected to do those things, we object on the further ground that necessarily it means a delay in this case, a delay for which the company is in no wise responsible and a delay for which, if there is any responsibility, is certainly chargeable to the other side in this case.

The record will show the speed with which the Telephone Company put in its case as compared to the lack of speed,—I believe I am fair in saying that—of the other side.

Mr. Calland: If the Commission please, for Mr. Burr's information and for the purposes of the record I shall

briefly review the situation and thus explain Mr. Allensworth's status in this case.

As we all know, originally when this was made a statewide case, application was made to the General Assembly for an appropriation for the purpose of paying the expense of it, and money was appropriated for that purpose, the appropriation being made to The Emergency Board with instructions from the General Assembly in the bill making the appropriation to divide that fund between the Commission and the Attorney General of the state; the money allotted to the Commission to be used for the purpose of employing engineers and other experts, and that allotted to the [fol. 4019] Attorney General for the purpose of employing counsel to assist the Commission in the determination of the case.

That fund was exhausted in the latter part of 1926. Upon the convening of the Legislature in 1927 a request was made for a further appropriation for the purpose of completing the investigation of the telephone rates in Ohio. The Legislature appropriated the further sum of $50,000.00 to the Emergency Board, the only designation in the bill being that it was to be used for telephone rate investigation. There was no direction in that bill as to any division of the money as between the Commission and the Attorney General.

After that appropriation was available a request was made by the Attorney General for an allottment of that fund for the purpose of paying the compensation of the attorneys who had represented him up to that time, which was allowed. At the same time a request was made for an allottment to the Commission sufficient to pay its deficiency, that is the amount which had accrued as due to the engineers employed by it.

Then a request was made by the Attorney General for a further allottment out of that fund for the purpose of further investigation. This Commission consented to that allottment in writing. That was filed with the Emergency Board consenting that the fund might be allotted to the Attorney General for the purpose of continuing this investigation.

That having been done the Attorney General then employed Harry R. Allensworth under a contract for the purpose of making a further investigation which the Attorney

[fol. 4020] General thought should be made and which will be made under his direction.

That is the status of Mr. Allensworth in this case.

As a part of his work it will be necessary for him to have access to the records of The Ohio Bell Telephone Company.

This case has not as yet been closed and has not, on the record, been submitted to the Commission for tentative valuation. At the time the hearing concluded the record will show that the attorneys advised the Commission that their evidence was all in so far as it was available at that time and suggested that the matter be then held open and it was suggested and agreed to by both sides that the record be briefed as it then stood for the benefit of the Commission, two of whom were new in the case and the matter was left open for the determination of the Commission as to whether or not any further investigation should be made.

That, I believe, is a sufficient statement of the matter.

I do not care to discuss the question of the delays during the years 1924, 1925 and 1926. I was not then in the case. I not only do not know the situation; I have not examined the record to find out and have no reason to question Mr. Burr's statement on that proposition.

We do ask on behalf of the Attorney General that the Commission direct The Ohio Bell Telephone Company to make available to Mr. Allensworth such of its records as he may need in his investigation and that sufficient time be [fol. 4021] granted and a further hearing of the case had in order to complete that check and to place before the Commission any further evidence that may be developed thereby.

Mr. Burr: May I ask you, Mr. Calland, whether it is your contention or opinion that the matter of fixing the tentative valuation by the Commission should be postponed pending Mr. Allensworth's report?

Mr. Calland: I think it should. I do not believe anything could be gained by going into that until it is completed.

Mr. Burr: I realize, Your Honors, speaking to the remarks of Mr. Calland, that the record is open to the construction perhaps that if the Commission desired further information on some subject they might ask for it. It is my recollection, however, that His Honor Judge Klinger definitely stated that the case was submitted on the tentative valuation, and certainly the attorneys have proceeded on that theory. The case has been briefed, as I say, both with

opening briefs and reply briefs and of course that brief is on just one question and that is the tentative valuation. So that while the record in this case may be said to have been left open to the extent that the Commission might want further information, for example on the question of net additions since January 1st, 1927, on some such question as that, I cannot ascribe to the proposition that the case is not submitted to this Commission on the question of the tentative valuation, and I do not think the Commission will so hold. To do that would necessarily stultify, it seems to me, a good many people including the attorneys who have [fol. 4022] worked so hard on these briefs.

Mr. Calland: Why?

Mr. Burr: For the reason, if for no other, that the time to brief a case on a given question is after the evidence on that question is in.

Mr. Calland: I just want to refer the Commission then, in answer to that statement, to page 2589 of the record in which the position of the attorneys in the case was made perfectly and entirely clear, and at which point Mr. McConnaughey stated to the Commission as follows:

"We have this suggestion to make, that in view of the fact that one of the Commissioners sitting is new in this case on this Commission, it is peculiarly appropriate, inasmuch as the investigation is conducted by the Commission and under their direction, that the Commission should have the opportunity of determining for themselves whether or not there is any further investigation that ought to be made, or that can properly be made, and for that purpose we are suggesting that the record should not be closed at this time, but that a date be fixed far enough in advance so that time shall be given to give full consideration to the present status of the case, and the future possibilities of it, and in that interval counsel should prepare briefs of the facts as they have developed up to this time.

And if it should happen that there is any further investigation desired or necessary or possible, the briefs could be expanded to bring in any additional evidence, if there should be any, to that time; so that if no further [fol. 4023] investigation is conducted there will be no time lost in the final submission of the case."

That was the position of the attorneys for the State as

stated by one of counsel at the time. There is nothing inconsistent in the present situation with that.

Mr. Burr: Without undertaking to read the record at this time, the last thing in the record will show that the State rested its case on this branch, that is, the tentative valuation; also that the company rested its case, and as I say it is my very distinct recollection that Your Honor Judge Klinger said that the case was submitted on the tentative valuation. I do not care to trust my memory on that because, after all, the question is beside the real one, which is this; the Telephone Company's property, if its contention is correct, is being confiscated. It is subject to daily confiscation and it is not legal to confiscate property for one day any more than for one month or for one year.

We have been trying for months and months and months to get this case decided or to get even the first part of it decided. And as I said before the questions have been briefed at length.

Therefore, I am under the necessity of again objecting to Mr. Allensworth's entry into the case because, as counsel has said, it is expected that the Commission will postpone its finding or fixing of the tentative valuation until after Mr. Allensworth shall have reported, which means that this tentative valuation will not be submitted to the Commission finally until after Christmas has passed. I believe that is a [fol. 4024] fair prophecy in the light of the previous history of the case.

The Telephone Company has no desire to be unreasonable, Your Honors, but feeling that it has been fairly patient, we submit our objections to Your Honors.

Chairman Klinger: How soon can Mr. Allensworth start his work?

Mr. Callan: I beg your pardon?

Chairman Klinger: How soon can Mr. Allensworth go to work?

Mr. Calland: Mr. Allensworth is at work now and has been for more than a month.

Chairman Klinger: How soon can he go to work on this particular subject?

Mr. Calland: He is at work on this subject now and is pushing it just as rapidly as it is possible to do so.

Chairman Klinger: Can you give us some idea about how long it may take him?

Mr. Calland: Your Honors I believe it will be utterly impossible for me or for him to even estimate that.

Mr. Burr: You haven't any expectation that by the time he has testified or reported and an opportunity given to test his report, that it would be any short of Christmas or some time next year have you Mr. Calland?

Mr. Calland: I would certainly not want to say that it could be done any sooner. I can say that I hope it will be done before that, but I do not want to commit myself on that statement.

Chairman Klinger: What counsel for the Telephone Company has stated here is undoubtedly meritorious. How- [fol. 4025] ever, there is a combination of facts and events and circumstances which have contributed to this situation for which no one individual or even two or more individuals are entirely responsible.

The fact that two members of the Commission, as it is now constituted, are not familiar with the facts makes it almost impossible for us to do justice to anybody concerned at this time without some further time and investigation.

The Telephone Company is entitled to have a speedy hearing and a speedy determination.

On the other hand a finding or a decision by two members of this Commission at this time would be a mere mockery because we know so little of the facts that it would not be justice to the Company or to the public or to ourselves to make a finding with the meager knowledge that we have of the subject. It is a big subject and involves much property, and for that reason, only two of the Commission being present today, we feel that we ought to withhold the determination of the motion until the other member of the Commission is present, and we will further discuss it among ourselves and then definitely decide.

Mr. Burr: It occurs to me to suggest that with the record already so voluminous that this Commission, and particularly the two new members, can hardly be expected to read it, it would seem to an outsider that the Commission have quite enough to try to digest as much of the present record as possible without having the record developed by the testimony of further engineers.

[fol. 4026] Chairman Klinger: That probably has a lot of truth in it, that statement.

Mr. Burr: Very well then, the Commission will advise the Telephone Company of its decision?

Chairman Klinger: Yes, just as soon as we can reach a decision.

Mr. Burr: Thank you very much.

[fol. 4027] Morning Session

Friday, Jan. 27th, 1928.

Thereupon the further hearing of this matter was resumed pursuant to adjournment.

Present:

Honorables William Klinger, Chairman, James W. Huffman and Frank B. Maullar, Public Utilities Commissioners.

Edward C. Turner, Attorney General, and A. M. Calland, on behalf of the State of Ohio.

A. B. Underwood, on behalf of the City of Akron.

John B. Harshman, City Attorney, on behalf of the City of Dayton, Ohio.

Earl E. Burr, on behalf of The Ohio Bell Telephone Company.

H. R. ALLENSWORTH, called on behalf of the State of Ohio, being duly sworn, testified as follows:

Examined by Mr. Turner:

Q. State your name, Mr. Allensworth?

A. H. R. Allensworth.

Q. Where do you reside?

A. Columbus, Ohio.

Q. What is your age?

A. 48 years.

Q. What is your business or profession?

[fol. 4028] A. Consulting engineer.

Q. How long have you been a consulting engineer?

A. I have been devoting all of my attention exclusively to consulting work for the past five or six years, I should say; but prior to that while employed by corporations and by public authorities in various capacities, I have done more or less consulting engineering.

Q. I wish you would sketch briefly for the benefit of the Commission, your qualifications and experience along mechanical and electrical engineering lines.

A. I have a technical education in electrical engineering. I am a member of the American Institute of Electric Engineers, the Western Society of Engineers. I am a registered professional engineer.

For the past 25 years, in fact, since 1902, I have been in responsible charge of engineering work of some character or other. For the past 13 years, since 1914, I have specialized in public utility economics, devoting most of my time to public utility appraisals and rate procedure. I have had experience in public utility finance, accounting management and operating problems.

In 1914 and for some years subsequent thereto, I was valuation engineer for The Ohio State Telephone Company, having full charge and responsibility of all the valuations made by and for that company. While employed by The Ohio State Telephone Company, I was called to the property of the Columbus Railway Power & Light Company, and divided my time between those two properties; and for the Columbus Railway Power & Light Company [fol. 4029] I was consultant on valuation work and a specialist on economic studies, on studies having to do with the relation between engineering and management and finance.

While engaged upon these two pieces of work, I was called to the State of Minnesota, where I was placed in charge of valuation of telephone property in the state of Minnesota for the Tri-State Telephone & Telegraph Company. In this work I had full charge of and responsibility for the appraisal of all of the telephone property of said company in the State of Minnesota, the northwestern part of Wisconsin, the eastern edge of North Dakota, and the eastern edge of South Dakota. While this work was in progress, I was also placed in full charge of and responsibility for the valuation of these properties for purchase and sale between the independent telephone interests and the Bell interests. My work in Minnesota consumed a matter of a total of about six years. Also, while engaged in this work as recounted for the past 13 years, I was called in on other matters as consulting engineer. Incidentally, while employed as stated, I served the State Civil Service Commission of Ohio as expert examiner, conducting examinations for the filling of technical positions; also served the city of Cincinnati as expert examiner for its Civil Service Commission.

In 1916 I was examined by the State Civil Service Commission of Ohio for position of chief engineer of the Public Utilities Commission of Ohio; passed that examination and was certified for appointment to that position. In addition to public utility work as recited, I have made ap-
[fol. 4030] praisals of industrial enterprises.

During the years 1924, '25, '26 and '27, I served the City Council of Columbus, Ohio, as consulting engineer in the matter of fixing rates to be charged for natural gas in the city of Columbus.

Mr. Turner: Mr. Burr, may I ask what your pleasure or preference may be as to cross-examination. If you desire it, we are willing at any time, for instance in the matter of the qualification or on the matter of an exhibit, instead of waiting till the end, you may make your cross-examination if you desire at the time. I know I like to do it, and that is the reason I offer you the same privilege.

Mr. Burr: Thank you, very much, and we may want to avail ourselves of that privilege as we go on. In respect to the witness' qualifications, however, he has testified in respect to those so rapidly that I think even the stenographer has found some difficulty in taking his testimony; and so, not having an opportunity now to go into that matter without taking up the time of the Commission, I believe that speed will be made by postponing our cross-examination, if we have any in respect to Mr. Allensworth's qualification, till further cross-examination is also arranged. Thank you, none the less, for your offer.

Q. Mr. Allensworth, have you prepared a summary of the reproduction cost of the property of the Ohio Bell Telephone Company as submitted by them in this proceeding?

A. I have.

Mr. Turner: I ask the stenographer to mark that as Allensworth Exhibit No. 1.

[fol. 4031] And thereupon a tabulated statement was marked for purposes of identification as Allensworth's Exhibit No. 1.

Q. I hand you what has been marked as Allensworth's Exhibit No. 1, and ask you to state whether or not that is a summary prepared by you?

A. It is, yes, sir.

Q. Will you explain that exhibit; first, in a general way giving the source of the information from which it was prepared, the meaning of the several columns, the significance of the red and black figures and any other matters of a general nature concerning the exhibit which might be of assistance to the Commission. I wish you would start on page 1.

A. What has been marked Allensworth Exhibit No. 1 is a condensed statement of the company's alleged reproduction cost as presented heretofore in this proceeding, together with certain changes which the company claims should be made because of admitted errors and alleged omissions. Also the company's original statement of reproduction cost included its alleged reproduction cost of all paving over conduits and manholes. This exhibit reveals the effect upon the company's statement as originally submitted, if the company's reproduction cost of paying not cut for the original installation of its conduits be eliminated.

The statement presented herein is a condensed copy of a statement prepared and submitted by the company in response to my request. It will be noted that this exhibit consists of two pages. The first of the two pages is entirely statistical. The second page is explanatory, and as [fol. 4032] to the second page it should require no further comment.

The first column appearing on this page is entitled "Reproduction Cost New as Filed." That should be interpreted to mean reproduction work new as submitted by the company in this proceeding.

The next column is entitled "Net Changes Due To Errors And Omissions." The amounts in that column are the amounts of errors appearing in the original statement as omitted by the company, together with certain additions which the company claims should be made.

The third column shows the amounts of paving not cut for the original installation of its conduits.

The fourth column is the effect of applying columns 2 and 3 to column one.

Q. Some of the figures are in red and others in black——

A. They are. I was about to explain, Mr. Turner, that referring to the amount in the first column opposite the

title "Central Office Equipment," it will be noted that the amount shown there is $16,956,131.00. Opposite that is the amount in the column entitled "Net Changes Due To Errors And Omissions," in the amount $243,609.00. Referring to page 2 of this exhibit it will be noted that the first note on that page reads as follows:

"The addition to the Central Office telephone equipment account, the amount $243,609, is a claimed omission of Central Office Equipment purchased from the A. T. & T. Company in April, 1925, to the amount $272,400.00, which Central Office Equipment was omitted from the inventory as of June 30th, 1925. From the amount $272,400 is deducted [fol. 4033] errors to the amount $28,791.00, which appeared in the original statement of reproduction cost $16,956,-131.00. The amount $272,400.00 less $28,791.00 produces the amount $243,609.00, the addition to the Central Office Equipment account appearing on this statement.

The next item, that is "Other Equipment of Central Office," the original amount being $632,518.00, there appears an addition-- $15,145.00 for, as I understand, the company's explanation the same reason as in the case of the Central Office Equipment.

It will be noted the- opposite the tital- "Private Branch Exchanges," the original amount shown is $3,384,891.00. Opposite that in red appears the amount $131,449.00. That is correction—reduction, if you please, in the original statement of Central Office—or I should say private branch exchanges due to certain errors that occurred in the company's original statement of reproduction cost. The largest single item of error was in the case of the Cleveland City Hall private branch exchange. It was originally included in the amount $110,768.00. The actual reproduction cost of that installation as set up by the company, should have been $10,384.00. The amount of error in that one item being $100,384.00.

The amounts appearing under the first section of the column, that is the amount $42,651,514.00, is the sum of the preceding amounts. Opposite that will be found in the second column the amount $126,727.00. That is the net effect of the corrections appearing above that item in the [fol. 4034] second column. The next item——

Q. To be added to?

A. To be added to the $42,651,514.00.

The next item, "Outside Plant," is a condensed statement of what the company submitted to me upon my request in detail, it being the reproduction cost of those classifications of property comprised in the title "Exchange Pole Lines, Exchange Aerial Cable, Exchange Aerial Wire, Exchange Underground Conduit; Exchange Underground Cable, Exchange Submarine Cable, Toll Pole Lines, Toll Aerial Cable, Toll Aerial Wire, Toll Underground Conduit, Toll Underground Cable, Toll Submarine Cable," the total being $64,600,047.00.

It will be noted that opposite that there is an amount in red $19,289.00, which is the total amount of corrections that the company states should be made in its original statement as to reproduction cost of this outside plant.

Reverting back now to the first item, "Right-of-way"; it will be noted that the amount originally included was $1,940,501.00. Opposite that in red will be found the amount $578.00. That is produced by taking 3 per cent of the amount appearing opposite "Outside Plant," in the second column in red, $19,289.00; the reason being that the right-of-way, as alleged by the company, is 3 per cent of its cost of outside plant. Having corrected its outside plant statement, the amount $19,289.00, it reduces its original statement of right-of-way cost by 3 per cent of that, namely, $578.00.

The next amount in column one, namely $107,251,561.00 is, as may be observed by inspection, the sum of the two preceding items, namely $42,651,514.00 and $64,600,047.00. [fol. 4035] The next item in column one opposite "Omissions" is the amount set forth in the company's original statement for its claimed omissions, and is 2 per cent. of the amount preceding. In making its corrections after having found the correction in its outside plant as hereinbefore recited, and other amounts, it reduces the amount originally claimed for omissions to the amount $3,602.00, which is 2 per cent. of the sum of the corrections made in its original statement. Specifically it is 2 per cent. of the sum of $578.00, $131,449.00, $19,289.00, which amount $28,791.00 is found on the second page of this exhibit, being the corrections in its original statement, Central Office Equipment. 2 per cent. of that produces the amount shown here, $3,602.00.

The amount shown as "Omissions" is added to the pre-

ceding sum producing the next amount, namely, $109,396,592.00. The amount claimed as "Engineering" by the company, 5 per cent, is taken upon this amount. Correction is made in that amount, namely, $5,469,830.00, in the amount shown in red in the second column $9,185.00. The correction amount is determined by identically the same process as in the case of omissions, excepting that to the amounts I read as being the base upon which 2 per cent. was applied to make the correction, there is added thereto the amount of omissions in determining this correction for engineering.

The next amount $114,866,422.00 is the sum of the two preceding amounts.

The next amount, "General Expense", is 2 per cent. of that, and corrections are made in like manner as herein-[fol. 4036] before explained.

The same is true of the "Taxes During Construction" and "Interest During Construction", bringing down the total amount $126,327,392.00, the net correction in that amount being $75,405.00 addition.

Going back now to the first item in column 3, it will be noted there that on the "Outside Plant" there appears the amount $321,352.00 in red. That is the amount that the company alleges its reproduction cost of paving over conduits and manholes would be reduced; that is the pavement over conduits and manholes not cut at the time of original installation estimated. The amounts following are the additions to this amount by the factors for omissions, engineering, general, taxes, interest, bringing down the total deduction to $378,508.00.

Going back now to the first column; $126,327,392.00 has added to it the amounts opposite the various titles appearing in the bottom part of this page, bringing a grand total at the bottom of the page $157,398,880.00, which is the original claim of the Ohio Bell Telephone Company, as to the reproduction cost of its property as of June 30th, 1925, as such amounts were originally submitted in this proceeding as I understand it.

There is a correction in black, or an addition-- correction to this amount of $91,375.00; a correction in red or a deduction amount of $458,671.00, bringing a net total in the fourth column of $157,031,584.00, which, as I understand, the company's statements is its present day claim as being

[fol. 4037] the reproduction cost of its property as of June 30th, 1925.

Referring now to column 4 in general: column 4, as I have before stated, I believe, is the effect of applying the red and black amounts appearing in columns 2 and 3.

Q. Now, taking up the separate items in the exhibit, will you give the Commission a brief and condensed statement of what is embodied in the item "Right-of-way", and how the company arrived at the reproduction cost; referring to pages 1 and 2 of this exhibit.

A. The company's alleged reproduction cost of right-of-way is $1,940,501.00, which is 3 per cent. of its alleged reproduction cost of all outside plant including interior block wires. Outside plant $64,600,047.00 plus interior block wires $83,334.00, produces $64,683,381.00. 3 per cent of this amount is $1,940,501.00, the amount alleged by the company to be the reproduction cost of right-of-way. From this amount, $578,000.00 is deducted because of errors as hereinbefore explained, producing $1,931,923.00 which is to be found in the 4th column of page one of this exhibit opposite the title "Right-of-way".

Q. Mr. Allensworth, have you made an analysis of the company or investigation of its records, to determine the extent and nature of its right-of-way and the amounts paid therefor; if so, please state what it was and the result.

A. I have made no investigation——

Mr. Burr: I object.

Chairman Klinger: Well, his answer is he has made no investigation, so I suppose——

[fol. 4038] Mr. Turner: Well, he wasn't through.

Chairman Klinger: What is the ground of your objection?

Mr. Burr: The question for determination by this Commission, as I understand it, not only on general principals but in view of the rulings of the Commission, is that the inquiry here is directed to the reproduction cost new of the company's right-of-way. It makes no difference how much the company paid for its right-of-way, or how much it paid for any other of its property. Right-of-way may have been given to it, but the company is none the less entitled to consider and include that property as a part of its right-of-way.

Chairman Klinger: I know that; but doesn't the same section provide that they have a right and should find what

the property actually cost, and even if it was donated they are entitled to have that factor before it, as an element to be considered. I understand that is the statute. If I am not right about that——

Mr. Burr: That is not my understanding of the statute, Your Honor.

Commissioner Huffman: It is not exactly in those terms, but gives the Commission a right to consider other elements.

"Section 4499-7. A. The original cost, if any, of each parcel of land held and used by such public utility, or plant, and a statement of the conditions of acquisition, whether by direct purchase, by donation, by exercising the power of eminent domain or otherwise."

Mr. Burr: Yes, that is referring to land. We are here talking about right-of-way as distinguished from land, Your Honor.

[fol. 4039] Mr. Turner: Do you claim that right-of-way is something other than land, Mr. Burr?

Mr. Burr: Yes, we do; not only on general principals but in accordance with the system of accounting adopted by this Commission and by the Interstate Commerce Commission. The system of accounting shows that on its face.

Mr. Turner: We are quite sure that the question is material, and we want to, at this time, analyze this particular item—not necessarily an analyzation of it, just whether or not there was any cost to it; predicating other questions to come upon it. It is really and truly a preliminary question.

Chairman Klinger: I think the last paragraph of the section that I have called your attention to, is broad enough to permit this.

Mr. Turner: Besides, it is a preliminary question, Your Honor.

Chairman Klinger: Note an exception, however.

Mr. Burr: In order to save time, may the record also show our objection to all questions propounded to the witness in respect of the original cost of right-of-way, with a similar ruling by the Commission, assuming that the Commission will adhere to its present ruling.

Chairman Klinger: Yes.

Mr. Burr: And our exception noted.

Chairman Klinger: Yes.

Mr. Turner: The only comment I have to say on that is that probably, after the matter is in, if there is something [fol. 4040] special, it ought to be called to the attention of the Commission so that the Commission might have the right of passing on it, and counsel on this side might have the privilege of withdrawing the question. I just want to get away from trouble of blanket objections and exceptions.

Chairman Klinger: Oh, if there is any special reason for a ruling, they should call our attention to it.

(Last question read.)

A. I have made no examination of the records of the company as to its cost of right-of-way. The company claims that the amount produced in its reproduction cost statement, namely, $1,939,923.00 heretofore referred to, is the reproduction cost of right-of-way enjoyed under contract of some form or other with private parties, and also rights-of-way enjoyed in public ways; in other words, it is the claim of the company that there is attached to its outside plant, poles, conduits, manholes, house cable, interior block wires, etcetera, a property value because of the privilege it enjoys to erect and maintain such instrumentalities in, through and upon either public or private property; that such alleged values may be attached measured by the cost of reproducing the contract, permit, franchise, or any other form of agreement under which rights may or are said to be enjoyed, and that 3 per cent. of its alleged cost of reproducing its outside plant is the proper measure of alleged reproduction cost of right-of-way.

The company states to me that it has no complete record of the rights-of-way it enjoys, that it has no complete record [fol. 4041] of what the right-of-way it enjoys has cost, that it undoubtedly enjoys right-of-way privileges of value of which there is no record; but that, in the absence of definite information as to the extent of right-of-way enjoyed under private contract and in the absence of definite knowledge of what the cost of producing such right-of-way, and further because the right-of-way enjoyed by it through and upon the public ways throughout the state is something of value to it, $1,939,923.00, after correction of the original amount $1,940,501.00 should be added to its alleged reproduction cost of outside plant as the value of this alleged property right before depreciation, if any.

Q. I wish that you would state what the company furnished you in the way of information as to rentals paid for right-of-way, for exchange right-of-way, for toll right-of-way, and so forth.

A. The date certain in the company's reproduction cost as I understand it, is June 30th, 1925. The company reports that its expense account for the year 1923 show that it paid for rentals and exchange right-of-way, $19,800.02; for toll right-of-way, $14,516.43, a total for that year in the amount of $34,316.40.

The company reports right-of-way rentals for 1924, exchange $21,998.57, toll $14,839.21, a total of $36,837.78. According to this statement for the two years the average amount paid as right-of-way rentals, was $35,577.11 per year. From the explanation offered by the company of its alleged reproduction cost of right-of-way, assuming this to be a true explanation, it should be that rentals paid for [fol. 4042] right-of-way privileges or rentals paid upon certain parcels of right-of-way included in the total right-of-way enjoyed upon which the company bases its claim for alleged right-of-way reproduction cost as of this time.

Q. I just want to ask you the question as to whether or not any of this expense to which you have just referred goes prior into operating expenses?

A. All of it, yes, sir.

Q. Have you any comment as to an inclusion of figures of this sort in an appraisal?

A. Well, to the extent that such amounts are included in its reproduction cost, it would be a direct duplication of amounts.

Q. In other words, you would be getting expense and then you would be capitalizing it, too?

A. Yes, sir.

By Mr. Burr:

Q. Mr. Allensworth, do you know to what accounts those amounts that you have given are charged, that is those rentals on account of right-of-way?

A. As I understand it, the expense account, right-of-way rentals. I don't know the account number, no, sir.

Q. Will you give us the account number, if you please?

A. I don't know the account number, no, sir.

Q. Do you know the name of the account?

A. I do not, offhand.

Q. Do you know that there is any such account?

A. My knowledge is that there should be such an account.

Q. Well, that isn't knowledge; that is your opinion, isn't it?

A. No, sir, that is not my opinion.

Mr. Burr: That is all for the present.

By Mr. Turner:

Q. Now, I direct your attention to "Land", and ask you [fol. 4043] to make the same explanation in reference to this item that you have made as to right-of-way.

A. The company's alleged reproduction cost of land used and useful as of June 30th, 1925, is $3,943,467.00. It is claimed that this amount is the appraised value placed upon land by the appraisal committees of real estate boards in various cities of the state in which the company owns land, and in cases of land owned in smaller communities where there are no real estate boards, the claimed reproduction cost is said to be the appraised value placed upon land by authorities on local real estate valuation.

Q. Have you made an inquiry of the company or investigation of its records as to the nature of the company's title to any of the land?

A. I have, yes, sir.

Q. What did you find out?

A. What are designated in the company's detailed statement of reproduction cost of land as parcel No. 13 sub-parcel No. 3, and parcel No. 18, are leaseholds; the alleged reproduction cost amounted to $477,923.00; and by way of explanation, what is designated parcel No. 13, sub-parcel No. 3, as I remember it, from the company's detail, is the land upon which the electric building in Cleveland is standing. That is a building acquired by the Ohio Bell Telephone Company from the Ohio State Company; and as I remember the detail, what is designated as parcel No. 18 is land upon which the newer Central Office Building is standing, that is the downtown central office building. Also it is reported by the company that its books of account show that there is paid for rentals under these leases [fol. 4044] for the year 1924, $12,600 per year for parcel No. 13, sub-parcel No. 3, and $3,000 per year for parcel No. 18; a total of $15,600 per year.

Q. Now, what comment is there to be made on those figures, if it should be found that any part of that particular real estate has been capitalized?

A. Well, as I understand the company's statement, all of that real estate is capitalized, and appears in its reproduction cost statement as a capital cost, or a part of its total reproduction cost; and in addition thereto on the company's record of expenses it shows it is also paying rentals on this land.

Q. In other words, these expenses or these rentals go out of expenses or are charged up against expenses?

A. Should be, yes, sir.

Q. Now, I direct your attention to the Central Office Equipment. Indicate first the kinds of equipment in the property, and then explain how the reproduction cost was arrived at as to each one of them.

A. As to the kind of Central Office Equipment, for the purpose of discussing the company's reproduction cost, there are four possible classifications; and the first may well be the Western Electric equipment installed by the Western Electric Company; the second would be the Western Electric equipment installed by the Ohio Bell Telephone Company. The third would be independent manufactured telephone equipment, and that is manual equipment; and the fourth might well be automatic telephone equipment.

Q. Those latter two, does the question of by whom installed have any effect?

A. The question by whom it may have been installed may [fol. 4045] have some effect upon the company's alleged reproduction cost, yes, sir. The company's alleged reproduction cost of Central Office Equipment amounts to $16,956,151.00 plus the claimed omissions less errors $243,609.00, brings the amount to $17,199,740.00. The company reports to me that that portion of this amount representing its alleged reproduction cost of Western Electric Central Office Equipment is based upon the Western Electric Company's price lists of the various materials, that is of Western Electric Central Office Equipment. The list prices are extended by the inventory quantities to produce the claimed reproduction total cost of material. In the case of larger installations, the alleged cost of installation is produced by expressing the installation cost of a number of Western Electric installations as built by the Ohio Bell Telephone Com-

pany, and the percentage of the material cost of the same installation, and applying this ratio to the material cost produced by list prices extended on inventory quantities. In the case of smaller installations the alleged cost of installation is said to be produced from records of the company's experience in making such installation; that is the records of the Ohio Bell Company. That portion of this total amount representing the alleged reproduction cost of manual Central Office Equipment of independent manufacturers, is said to be based upon manufacturers' price lists of the various material parts of such Central Office Equipment. As in the case of Western Electric equipment list prices of materials are extended by inventory quantities to [fol. 4046] produce the claimed reproduction total cost of material.

In the case of the large installation the ratio of Western Electric total cost of material cost is applied to the alleged total material cost of Central Office Equipment to independent manufacture, and the resulting amount is the company's alleged reproduction cost of this installation.

In the case of smaller installations of independent manufacturers Central Office Telephone Equipment, the alleged cost of installation is said to be the company's experience in the installation of Western Electric equipment of similar size. That portion of this total amount representing the alleged reproduction cost of automatic Central Office Equipment is said by the company to be produced by the Western Electric Company pricing, both as to apparatus and installation cost.

Q. Now, was there any attempt made by the company so far as they gave you any figures to find out what independents would have installed any of this material for?

A. I have no knowledge of any such attempt.

Q. You have no figures furnished you on that at all?

A. No, sir.

Q. I wish your would direct your attention to "Station Apparatus" and make the same explanation of that.

A. The company's alleged reproduction cost of station apparatus, $5,589,862.00, is claimed to be the average cost of station apparatus installed during the year 1924, extended by inventory quantities as of June 30th, 1925. It is also claimed that care was exercised to produce an average [fol. 4047] of typical apparatus of the different kinds in use.

Q. Is there any station apparatus in use by the com-

pany, the value of which is not included in their inventory?

A. Yes, sir; the transmitters and receivers and induction——

Q. I said inventory——

A. The transmitters, receivers and inductions coils associated with Western Electric instruments, as I understand it, are not in the inventory or the appraisal.

Q. Do you know why not?

A. They are supposed to be owned by the American Telephone & Telegraph Company; that is my information.

Q. It leases them to this company, is that it?

A. It rents them to this company as I understand it.

Q. Now, I wish to direct your attention to "Station Installation", and ask that you make an explanation in reference to station installation.

A. The company's alleged reproduction cost of station installation, $2,164,835.00, is claimed to be the actual average cost per installation as produced from its records of cost of station installation for the year 1924 extended by inventory quantities as of June 30th, 1925.

Q. Now, I direct your attention to the "Private Branch Exchange", and ask you to make the same explanation with reference to that.

A. The company's alleged reproduction cost of private branch exchanges, in amount $3,384,891.00, is said by the company to be produced from generally the same sources by following generally the same methods as in the case of Central Office Equipment.

Q. Now, as to "Booths And Special Fittings".

[fol. 4048] A. The company's alleged reproduction cost of booths and special fittings is said by the company to be produced from Western Electric price lists of various types in use reduced to a unit price per compartment, and this average price, together with the company's estimated cost of installation, is extended by inventory quantities as of June 30th, 1925.

Q. Now, take the item of "Omissions" and explain that item.

A. The item "Omissions", the company included as a part of its alleged reproduction cost, the item omissions, the amount $2,145,031.00, which after correction as per this statement, reduces to $2,135,002.00. This amount is said by the company to be its estimated minimum amount of omissions of inventory quantity. The claimed $2,135,002.00

applies to its total property. The company's alleged reproduction cost of outside plant including interior block wires and excluding the company's amount of paving not cut for original installation, that is original installation of conduits, amounts to $64,000,363.29. The company's——

Q. Wait a minute. Look at that figure again, sixty-four million, please.

A. $64,-63,009.00.

Q. Yes, you said 29 cents.

A. I beg your pardon. The company's alleged omissions of inventory quantities of outside plant is 2 per cent of this amount or $1,287,260.58. On the basis of the company's alleged reproduction value it alleged omissions of outside plant inventory quantities, in amount $1,287,260.58 is equivalent to approximately forty-two thousand average sized poles, together with cross arms and other associated appurtenances. On the basis of the company's reproduction [fol. 4049] cost this amount is equivalent to approximately 432 miles of aerial cable; it is equivalent to 43 miles of average size underground conduit. This alleged omitted item allocated to outside plant on the basis of the company's alleged reproduction cost, is equivalent to outside plant sufficient for a ten thousand station exchange.

Q. Where is there approximately a ten thousand station exchange in Ohio?

A. I think Lima would be about ten thousand station.

Q. In other words, this item of omission is equal to a plant the size of the Lima Exchange; is that correct?

A. The item of omissions, Mr. Turner, allocated to the company's outside plant.

Q. That is what I mean.

A. Would be equivalent to an exchange similar in size to the Lima Exchange, on the basis of the company's reproduction cost.

Q. You have used solely the company's figures?

A. Yes, sir.

Q. Now, I direct your attention to the item of "Engineering", and ask you to explain that.

A. The company includes as part of its alleged reproduction cost in the item "Engineering" in amount $5,469,-830.00, which after correction as per this statement, that is Exhibit 1, reduces to $5,444,256.00. The company made an analysis of its engineering charged to construction for

two years ending December 31st, 1924, and found that the engineering expense it had charged to construction for the two years was more than 5 per cent. of construction as shown for the purpose of that study. The company decided [fol. 4050] to use 5 per cent. for its engineering item in its reproduction cost statement, but in doing so it transferred the amount over and above 5 per cent. as revealed in this study to "Superintendence".

Q. I direct your attention to the item of "Taxes During Construction" and ask you to explain that.

A. Before discussing taxes during construction, if you please, Mr. Turner, I would like to mention "General Expense".

Q. All right, go ahead.

A. The amount included in the company's reproduction cost for general expense is $2,297,328.00, which after correction becomes $2,286,587.00. This general expense is alleged to be 2 per cent. of the amount preceding in this first column or 2 per cent. on $114,866,422.

The study made by the company as to its expenses charged to construction during the years 1923 and 1924, show that the amount charged to construction for general expense was slightly less than .8 of one per cent. The company used 2 per cent. for general expense in its reproduction cost with the explanation that the addition is made to cover certain insurance items.

Q. Were those items furnished you?

A. They have not been to this time, no, sir.

Q. In other words, there is a difference between the factor used in the appraisal by the company and the actual experience of how much?

A. More than 1 per cent. The actual experience——

Q. That would amount in dollars to approximately how much?

A. Something over a million dollars.

Q. Now, if I may direct your attention to "Taxes During [fol. 4051] Construction".

A. The company includes as part of its alleged reproduction cost $1,682,378.00 for the item taxes during construction, which after correction as per this statement reduces to $1,674,512.00. This amount is produced from the assumption of a theoretical construction program in which it is assumed that if the property of the Ohio Bell Tele-

phone Company was to be reproduced the whole construction program could be economically consummated in a five year period. The assumed rate at which cash would be invested in this plant under such assumed conditions, is employed as the basis upon which taxes which the company assumes would accrue, is estimated by the amount alleged as taxes during construction in the company's reproduction cost statement $1,674,512.00 after correction is produced.

Q. Now, I want to ask you whether or not the company for the two years ending December 31st, 1924, shows any taxes during construction?

A. The analysis made by the company, which analysis reveals the amounts charged to construction during the two years ending December 31st, 1924——

Mr. Burr: Just a moment, Mr. Allensworth. That question, I think, is, unintentionally so, but obviously misleading.

Mr. Turner: I will reframe it, Karl.

Mr. Burr: I will give you my idea on the subject, Mr. Turner, and it will explain, perhaps, the nature of my reason for the objection. The laws of this state provide that the Tax Commission of Ohio shall value for taxation and assess all of the property of the company, and it is not a [fol. 4052] question of whether the company's books show taxes paid on any particular labeled or tagged part of its property, but whether it pays the taxes assessed by the Tax Commission of Ohio; and I don't think that the other side would even intimate or suggest that the company has not paid its taxes as assessed by the Tax Commission. Now, public utility property, Your Honors, is not assessed locally by each of the taxing districts or taxing authorities. It is not taxed according to the amount of wire or any other part of its plant in a particular taxing district, but its property is assessed for taxation as a whole; and I think that counsel will accept my suggestion. I think it is also in the record in this case that the company's property under construction is reported to the Tax Commission and constitutes a part of the property assessed by the Tax Commission for taxation in each year; so I don't think it is quite fair to intimate that the company is not paying taxes on its property under construction, its construction work in progress, if you please, by having a witness state

that the company's books do not show any specific item of taxation labeled or tagged "Taxes On Property During Construction".

Q. What we seek in this question, as in many of our other questions this morning, is some preliminary information; these are preliminary questions. If they have paid these taxes as expenses, they are not entitled to capitalize them. Now, that is what we want to get at, and I will ask the question this way, so don't answer it till Mr. Burr has objected. You spoke of an analysis made by the company [fol. 4053] for the two years ending December——

Chairman Klinger: Just a moment. Is there any objection for the purpose of which counsel has indicated, or was there any objection?

Mr. Burr: We will pass the matter for the moment.

Q. You spoke of an analysis made by the company for two years ending December 31st, 1924 for the purpose of determining its engineering and other items of cost. Do you know what that analysis showed with reference to any taxes during construction?

A. The analysis made by the company, which analysis revealed the amounts charged to construction during the two years ending December 31st, 1924, were such detailed items as engineering, supervision and tool expense, et cetera, does not show any charges showing they appeared for the item "Taxes During Construction."

Q. Now, what about "Interest During Construction"?

A. The company includes as a part of its alleged reproduction cost the item "Interest During Construction" in the amount $7,481,264.00, which after correction as per this statement reduces to $7,446,285.00. This amount is produced from the assumption of a five year rate production period during which the property would be reproduced as a whole. This five year period is divided into 20 quarter yearly periods. An assumption is made as to the amount of capital that would be invested in plant each quarter year period, and the amounts accruing per quarter are accumulated into a total amount assumed to be invested through the succeeding quarter. Also an assumption is made at a rate at which plant would be placed in operation and the [fol. 4054] assumed amounts thereof are offset against the

accumulated amounts assumed to be invested in the property. Interest at the rate of 6 per cent. per annum is charged against the net cumulative amounts and the amount thus produced $7,481,264.00 is the amount included by the company in its reproduction cost statement as alleged interest during construction.

Q. What about the two year analysis made by the company as to this item?

A. The statement of construction expenditures for the two year period ending December 31st, 1924, from which statement the company determines its engineering expense, supervision and too expense, et cetera, shows that its charge for interest during construction during this two year period amounted to slightly less than 1 per cent. of the amount reported as construction expenditures as shown for the purpose of that study.

Q. Now, take the item of "Office Furniture and Fixtures, General Store Equipment, And General Stable And Garage, And General Tools And Implements", and discuss those items.

A. The amount included for those items in the company's original alleged reproduction cost as submitted in this proceeding is $1,549,000.00. This was subsequently increased by alleged book additions to the amount shown herein totaling $1,716,870.00, to bring the amounts originally shown forward to June 30th, 1925, it being the claim of the company that the amount shown in the original statement was its priced inventory totals of these items as of a date previous to June 30th, 1925.

Q. Did you make any investigation as to the practice of [fol. 4055] the company in its accounting with reference to the general tools and equipment?

A. I did.

Q. If you did, state what that investigation revealed?

A. The company charges all of what it denominates inexpensive and short lifed tools to expense at the time of purchase. A list of those so-called inexpensive and short lifed tools reveals the fact that many of the items listed as general tools and equipment are this class of articles. The company's original statement of its alleged reproduction cost of general tools and implements totals $384,364.00. Of this amount $130,936.00 is the company's alleged reproduction cost of articles the cost of which, according

to its Accounting Bureau, was charged to expense at the time of purchase. Upon the assumption that the increase of $384,364.00, amounting to $422,051.00, contains the same proportion of items, the cost of which are absorbed as expense at the time of purchase as does the original amount, that is $384,364.00, the amount of these items in the $422,051.00 amount is $150,371.19. Correcting errors in the company's original statement of $384,364.00, the corrected amount is $384,873.00.

Q. What is the fact as to whether or not the company's practice is a proper practice, that is the charging of short lifed tools to expense; is that a proper practice?

A. That is very proper practice, I should say.

Q. Now, did you make any investigation in respect to "Office Furniture and Fixtures, General Store Equipment And General Stable And Garage", as to this same method of accounting?

A. Yes, sir. The same procedure is true also of the other [fol. 4056] property classifications in the group you asked me to discuss, namely, "Office Furniture And Fixtures, General Store Equipment, And General Stable And Garage Equipment", but to a much less extent and perhaps to a negligible amount.

Q. Directing your attention to the item of "Cost of Establishing Business"; please explain this item.

A. The company includes, as a part of its alleged reproduction cost, the cost of establishing business to the amount of $20,768,158.00, which after correction as per this statement reduces to $20,718,996.00.

Q. Were you furnished with any basis upon which these figures were computed?

A. I was, yes, sir.

Q. Go ahead.

A. The company's alleged cost of establishing business proceeds from the assumption of a five year reproduction period, which five year period is divided into twenty intervals of three months or one quarter year each, and the amount of alleged cost of establishing business is said to be the accumulated sum of the difference between alleged income and alleged expenses through this assumed period of reproduction. The alleged expenses that would be incurred through this period is an estimate. An estimate is made of the supposed cost of advertising, canvassing, soliciting,

contracts, securing and building an organization of employees, instruction, records, et cetera; preliminary directories, plant maintenance, traffic expense, commercial expense, station removals and changes, administration, rents, uncollectible revenues, depreciation of plant and equipment, and taxes. One of the interesting features of this estimate of alleged expense is the development of the cost of instruction, routines, specifications and so forth, which is [fol. 4057] based upon the assumption of the company's cost of superintendence and so forth, making up forms, is $45,000.00 for five years. It further assumes that in the development of this record there would be required $25,000 worth of stationery, office supplies and so forth; that the cost of forms and so forth would amount to $11.00, that maintenance, taxes and other similar records would cost $50,000.00; that all other records, routines, instructions, et cetera, would cost $130,000.00, which $130,000.00 is based upon an estimated cost of $25 per station which is claimed to be the cost the company has experienced in making telephone property inventories. This makes a total of $250,000.00 which is distributed through the assumed five year reproduction period and accumulated as an expense item. The estimates of other alleged expenses proceed from generally extreme assumptions and interpretations as in the case of instructions, routines and specifications.

Mr. Burr: Just a moment. I move to strike out the characterization "Generally extreme" if that is intended to reflect on the amounts used by the company. If the witness claims that the amounts are improper, some measure of their alleged impropriety ought to be stated instead of simply stating that the amounts are extreme.

Mr. Turner: We will state that in due time, Your Honor. This witness is testifying as an expert engineer.

Mr. Burr: Quite so. But I move that the word "extreme" be stricken out.

Chairman Klinger: Note an exception, if they follow it up.

[fol. 4058] Mr. Turner: We will follow it up later.

Chairman Klinger: With that understanding the objection will be overruled.

Q. Did the two year analysis made by the company to determine its cost of engineering, supervision, tool expense

and so forth reveal anything with regard to this item of cost of establishing business?

A. It did not. Neither do the books of the company so far as I know show that the cost of developing the business of the company has not been currently absorbed as an operating expense and met out of current income.

Mr. Turner: We offer in evidence Allensworth Exhibit No. 1.

Mr. Burr: To save the record, note an objection.

Chairman Klinger: Note an exception. It may be admitted.

And thereupon the Exhibit above offered was admitted in evidence on behalf of the State of Ohio, subject to the objection and exception of the Ohio Bell Telephone Company and is herewith submitted marked Allensworth Exhibit No. 1.

Mr. Turner: Now, Mr. Burr, do you want to cross examine in respect to Exhibit No. 1?

Mr. Burr: I think we will make time if we cross examine with respect to all of his testimony at one time.

Q. Mr. Allensworth, have you made an analysis of the reproduction cost of the outside plant of the Ohio Bell Tele-
[fol. 4059] phone Company as submitted by the company in this proceeding?

A. I have.

And thereupon a tabulated statement was marked for purposes of identification as Allensworth Exhibit No. 2.

Q. I hand you what has been marked as Allensworth Exhibit No. 2, and ask you whether or not that is the analysis made by you?

A. It is, yes, sir.

Q. Will you explain this Exhibit in a general way, giving the sources of information from which it was prepared and what it shows and its characterization as to make-up, that is, the plan upon which it is put together?

A. The company's reproduction cost statement as submitted in this proceeding comprises as a part of such statement the company's alleged reproduction cost of exchange pole lines, exchange aerial wire, exchange aerial cable, exchange underground conduit, exchange underground cable, exchange submarine cable, toll pole lines, toll aerial

cable, toll aerial wire, toll underground conduit, toll underground cable, toll submarine cable. The total amounts alleged by the company to be the reproduction cost of these classifications of property amount to $64,600,047.00. Deducting therefrom the amount alleged by the company to be the reproduction cost of paving not cut for the original installation of its conduit and manholes, namely $321,352.00, leaves an amount $64,278,695.00. Adding to this the amount the company has included in its statement of reproduction cost as being the alleged reproduc- cost of [fol. 4060] interior block wires, namely $8,334.00 brings this amount of the total alleged reproduction cost of the outside plant to $64,362,029.00. This $64,362,029.00 is produced by the company by first erecting what it calls its unit costs or unit prices, extending those unit prices against the inventory quantities in each classification of property. These unit prices are the sum total of the alleged charges that the company claim would be met in reproducing its property. For example, in the case of pole lines, the unit price is made up of first the alleged cost of the poles, secondly, the alleged cost of miscellaneous material associated with the poles, third, the alleged amount that would be incurred in the way of handling this material in different ways, and the labor charges claimed to be associated with the erection of these poles and charges incident to the labor expended or alleged to be expended on the poles. From that procedure the company produced and submit a reproduction cost statement which has shown this Commission what it claims would be the reproduction cost of these various elements of outside plants—that is by elements I mean the various classifications of outside plants which I have read into the record.

I have prepared this analysis for the information of the Commission which shows not what the company claims to be its reproduction cost of pole lines, of cable and other classifications of outside plant, but what it has claimed in its reproduction cost as being the total amounts that it would incur in the way of expenditures for material, the [fol. 4061] total amounts that it claims it would incur for all charges associated with the purchase and handling of such materials, the total amount it claims that it would incur in the way of labor cost and associated expenses, and finally the total reproduction cost for these classifications of

outside plant which, of course, through this analysis equals exactly the amount set forth in the company's Exhibits as being the reproduction cost of this particular classification of property.

Q. Now, I want you to look at page 1 there and take up the groups of items and the amounts which have reference directly to the cost of material, and explain the several items.

A. The first item "cost of major material at point of shipment, the amount $22,920,745.77——

Q. This is on page 1 now of the Exhibit?

A. It is.

Q. First item.

A. That is the company's alleged cost of the major elements of construction material is poles and crossarms, wire, cable and conduit classification, f. o. b. the Western Electric Warehouse or factory at Hawthorne, Illinois—that is Chicago—with the exception of conduit and poles.

In the case of poles the Western Electric Company's purchases are said to be f. o. b. Minnesota Transfer; that is St. Paul.

In the case of conduit, different kinds of conduit are assumed to be shipped from different shipping points.

The company's alleged cost of terminals, loading cases, interior block wire and drop wire, major material, is not included in this amount.

[fol. 4062] The next item, cable loss, the amount $311,694.70 is the amount of cable that the company alleges would be lost in erecting placing and splicing cable.

The next item "freight" in amount $1,615,067.60 is the amount the company alleges it would pay out in the form of payments made in liquidation of freight bills on major materials, poles, crossarms, wire cable, conduit, and also breaks on returned cable reels.

The "cost of major material f. o. b. Columbus, the amount $26,921,280.70 is the sum of the three preceding items, "Cost of major material at point of shipment", "Cable loss", "freight", plus the company's alleged cost of terminal, loading cases, interior block wires and drop wire major material; and in the company's alleged cost of the major element of construction material—pardon me I misstated that—and is the company's alleged cost of major material elements of construction material laid down at aver-

age point in Ohio for the purpose of computing its alleged freight bill, Columbus is taken as the representative Ohio point of delivery. The next item "Adjustment"——

Chairman Klinger: Did I understand you to say that item of $26,921.00 is the sum of the three other items?

The Witness: Plus some other amounts, yes, Your Honor. Do you wish me to read them?

Chairman Klinger: Oh no.

The Witness: The next item "adjustment," the amount $1,398,641.06 is the net effect of the company's adjustment of material prices throughout its unit price detail; adjust-
[fol. 4063] ments of material are made by the company to convert prices of particular kinds and sizes of various material into prices of what the company alleged to be the average of each material element in its plant as to size and kind.

The next item "Miscellaneous material f. o. b. Columbus, the amount $2,960,639.50 is the company's alleged cost f. o. b. Ohio points of delivery of materials incident to the major material item.

The next item "Supply expense," the amount $1,281,-736.25 is the company's alleged amount that it would cost in the way of supply expense to handle an account for the materials upon which its alleged reproduction cost is erected.

The next item "Total material cost," the amount $32,-562,297.56, is the sum of the items "Cost of Major material f. o. b. Columbus, adjustment, miscellaneous material f. o. b. Columbus and supply expense", and is the sum total amount of the company's alleged cost as of June 30th, 1925, f. o. b. Ohio points of delivery of all materials upon which its alleged reproduction cost of outside plant is erected.

Q. What was the source of the material prices used by you?

A. The company's alleged material prices are taken from a price list compiled by the Illinois Bell Telephone Company, which prices it is claimed by the Illinois company are quoted prices of the Western Electric Company effective as of December 31st, 1924 plus Western Electric Company's claimed service charge for various classifications of material. The Ohio Bell Telephone Company accepts this price list as being Western Electric prices plus the claimed

[fol. 4064] service charges and furthermore adopts the prices contained in this list as being the Western Electric Company's prices on the materials listed as of June 30th, 1925. This price list of the Illinois Bell Telephone Company was used by the Ohio Bell Telephone Company for pricing all materials excepting telephone cables. In the case of telephone cables the Ohio Company used prices of the Western Electric Company for lead-covered paper insulated cables excepting twenty gauge lead-covered cable in which case it used prices which are claimed to be quotations of the Kellogg Switchboard & Supply Company for this particular size. The Kellogg Switchboard & Supply Company does not manufacture lead-covered cable and the prices quoted for the company for such material is stated by the Ohio Bell Company's appraisal department to be prices from the John A. Roebling Sons Company, manufacturers of wire and cable, The Kellogg Switchboard & Supply quoting as jobber.

By Mr. Burr:

Q. Mr. Allensworth, may I ask you a question at this point. With respect to the price-list of the Illinois Bell Telephone Company, which you say the company used for a part of the costs, weren't you also advised by the company that that price-list had been checked with the actual prices of the Western Electric Company and found to be correct?

A. There was some such explanation made, Mr. Burr, but I did not understand the explanation in terms that you are now expressing it.

Q. How did you understand it?

A. The understanding that I got from your appraisal [fol. 4065] department was that this price-list was produced by the Illinois Bell Telephone Company; that the Ohio Bell Telephone Company did not have any complete price-list of the Western Electric Company which included the Western Electric Company's service charges; that the Ohio Bell Telephone Company appraisal department examined this price-list prepared by the Illinois Bell Telephone Company, compared it with such prices that it may have had and concluded that it was the prices of the Western Electric Company plus service charges.

Q. Did you make any investigation to see whether the price-list of the Illinois Bell Telephone Company con-

formed with the actual prices of the Western Electric Company?

A. I did not. I was informed that the Ohio Bell Company had no comparable price-list that would compare directly with the price-list submitted by the Illinois Bell Telephone Company.

Q. Were you told that the Ohio Bell Telephone Company did not have the elements necessary to check the price-list of the Illinois Bell Company in order to determine whether or not it correctly showed the Western Electric prices?

A. I was not told any such thing, no, sir.

Q. Did you ask whether the Ohio Bell Company had such data?

A. That subject, of course, was mentioned more or less in discussions that I had with the company's representatives. Whether such question was actually asked directly, of course, I do not remember.

Mr. Burr: That is all for the present. Thank you.

By Mr. Turner:

[fol. 4066] Q. Now, take the item of "Supply expense". State how the sum of $1,281,736.25 was arrived at by the company.

A. The amounts included in the company's unit prices for supply expense——

By Mr. Burr:

Q. May I ask one mo-e question, Mr. Allensworth, do you mean by your testimony just given to imply that the costs used by the Ohio Bell Telephone Company, whether shown in the price-list of the Illinois Bell Telephone Company or otherwise, do not correctly reflect or agree with the costs of the Western Electric Company?

A. You mean costs or prices?

Q. Prices; they are the same when they are undertaking to sell something.

A. No, Mr. Burr, I do not. Frankly my impression is that this price-list as submitted by the Illinois Bell Telephone Company is exactly that; it is the prices of the Western Electric Company plus the Western Electric Company's service charges.

Mr. Burr: Thank you.

(Question read as follows: Now take the item of "Supply expense." State how the sum of $1,281,736.25 was arrived at by the company.)

A. The amounts included in the company's unit prices for supply expense are produced by taking the company's record of amounts accounted for as supply expense during the years 1923 and '24, which comprises the following charges and amounts: Salaries and wages $230,487.00; house service and rents $79,393.00; traveling $6,284.00; postage, printing and so forth, $2714.00; furniture expense $329.00; miscellaneous, $35,735.00: unassigned discount received, which is a credit and should appear in red, [fol. 4067] $23,218.00; freight and cartage $124,104.00; Western Electric service charge $109,714.00; supply account adjustment $198,969.00, making a total of $764,511.00. From this total amount accounted for as supply expense namely $764,511.00 is deducted the amount accounted for as undistributed freight and cartage $124,104.00, Western Electric service charge $109,714.00 and the amount accounted for by the supply adjustment $198,969.00. The undistributed freight and cartage is the amount accounted for as freight and cartage other than that, if any, charged directly to various classes of materials. The Western Electric Service charge is the amount accounted for by the payments to the Western Electric Company for supply service. The amount accounted for by the supply adjustment is the amount currently each month set up as a reserve on the basis of three and a half per cent per year of current balances in the material and supply account for the purpose of balancing the supply account. All overages and underages are balanced through this account. After deducting these amounts totaling $432,387.00 from the total amount accounted for, $764,011.00, there remains in the company's statement $331,724.00. The total material accounted for by the company's supply department as used or issued during the two years 1923 and 1924 amount to $9,581,000.00. To this the company adds the amount $124,104.00 undistributed freight and cartage, the explanation being that this is done because the Company in its appraisal adds supply expense as a percentage addition on the cost of material including freight. This increases the amount accounted [fol. 4068] for as material used or issued from $9,581,000.00 to $9,705,104.00. From this amount is deducted central office material amounting to $617,027.00 upon which supply

expense had been charged, making a net amount $9,088.077.00, upon which the company spreads the $331,724.00 amount accounted for as expenses hereinbefore explained to fix the percentage of supply expense which the company adds to alleged material cost to produce alleged total material cost. The ratio produced by dividing the $331,724.00 by $9,088,077.00 is 3.65 per cent. Having produced this ratio the company then writes the 3.65 up to four per cent which is the ratio alleged to have been used in the company's appraisal. Really the amount of supply expense in the company's alleged reproduction cost of outside plant is 4.0975 per cent of the base amounts from which it is produced.

Q. Now, just let me get that clear at this time. The company's experience shows 3.65 per cent; is that correct?

A. Yes, sir.

Q. They used in their appraisal 4.0975 per cent, is that correct?

A. Not exactly, Mr. Turner. The company uses four per cent, but the way it uses it and the way it makes its application of that four per cent produces really a percentage factor of supply expense of 4.0975 per cent.

Q. Then may I ask this question, taking the appraisal as in here and getting at the factor from the figures produced in the appraisal, you find that it is then 4.0975; is that correct?

A. That is correct, yes, sir.

By Mr. Burr:

Q. Per cent of what, if you please?

[fol. 4069] A. The material; the alleged price of material.

By Mr. Turner:

Q. What is that equivalent to?

By Mr. Burr:

Q. Is that including or excluding freight?

A. That is including freight.

By Mr. Turner:

Q. What is that equivalent to in dollars and cents in the way of a write-up?

A. The writing up of the 3.65 per cent. to 4.0975 per cent. is equivalent to writing up of the company's alleged pro-

duction cost to the amount of $139,995.76. The company's explanation of this is that the amount thus produced is added to cover depreciation and shrinkage of the supply account.

Q. Where is this supply account kept; is that in warehouses?

A. That is warehouses and yards, yes, sir. That is material in the hands or under the control of the supply department, as I understand it.

Q. Well, is it the experience of such a utility that there is depreciation or shrinkage in the warehouse to justify any such account?

Mr. Burr: I object.

Chairman Klinger: Overruled; note an exception.

Mr. Burr: Note an exception.

The Witness: To justify such an amount in a reproduction cost statement, no, sir.

Q. These figures are depreciation figures, depreciation and shrinkage figures before the material is sent out on the job, is it not?

A. As I understand it, yes, sir.

By Mr. Burr:

Q. Do you mean to say, Mr. Allensworth, that in the reproduction of a property such as that of the Ohio Bell [fol. 4070] Telephone Company there would be no depreciation, loss, shrinkage or waste in the material before it actually enters into the plant?

A. Please state that question again.

(Question read.)

A. No, sir, I do not make any such statement, and no intimation of the kind.

Chairman Klinger: I suppose this is about as good a place to stop for noon as any time. We will recess until 1:30.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day.

[fol. 4071] Afternoon Session

January 27th, 1928.

H. R. Allensworth, resuming the stand continued his testimony as follows:

Examined by Mr. Turner:

Q. Directing your attention, Mr. Allensworth, to the item "miscellaneous material f.o.b. Columbus" in the amount of $2,960,000.00 plus on page 2 of Exhibit 2, I wish you would explain this item a little more fully.

A. You are referring, are you not, Mr. Turner, to the item on page 1 of Exhibit 2?

Q. $2,960,639.55.

A. That item "miscellaneous material f.o.b. Columbus" is the amount of charges that the company has in its unit prices for the alleged price or cost of miscellaneous material associated with the major material; miscellaneous material being those elements of material incident to the major elements of material. For example, if I may illustrate, in the case of poles, the company in setting up its unit prices has what they designate "pole, miscellaneous." In that miscellaneous account is the appurtenances associated with the pole lines, that is anchors and guys and other such material parts. The same is true of the other classifications of plants.

Q. Yes. Go ahead with the labor then.

A. The next item which is titled "direct labor" in the amount of $18,198,357.14 is the amount included in the [fol. 4072] company's reproduction cost statement for direct or payroll labor on the major material items. In setting up its unit prices so-called, the company in establishing what it designates its labor costs has included therein certain charges over and above the direct or payroll labor, and that is what is known to the company in its bookkeeping system as account No. 711; account No. 711 being the charges for what it designates its district plant supervision. The company's unit prices as originally set up in its alleged labor costs includes this district plant supervision. In this statement on page 1 of this Exhibit 2 and in subsequent pages the district plant supervision or the socalled 711 account is deducted from what the company sets up as direct labor, and it is transferred to the title "supervision" further down in this column which will be discussed later.

The company's alleged labor costs are said to be based on labor costs claimed to have been actually experienced by the company over a period of several years.

The remarks that I have just made relative to the item headed "direct labor" in the amount $18,198,357.14 is fully applicable to the amount opposite the title "Labor on miscellaneous material" in the amount $1,583,929.96.

Q. Is that all you have on the direct labor?

A. At this time, yes, sir. The next item "Stable and garage" is the total of the amounts included in the company's unit prices for stable and garage expense; that is the expense of trucks, automobiles and other vehicles used in its construction, and the cost of the stable and garage is [fol. 4073] said to be the cost of operating the stable and garage equipment, maintaining and operating the garage in which they are kept as accounted for in the company's system of accounts. Stable and garage account like some other accounts in the company's system of accounting is directly charged to what is known in their system of bookkeeping as clearing account, which is better known in general accounting practice as a suspension account; in other words those charges go in and are held in suspension until distributed and allocated to their proper elements or the proper accounts in which they finally land. In the case of stable and garage these amounts are charged into their clearing account and then are spread to construction and operation and other accounts if there be any in proportion established by the company. The amount charged to construction is resolved into a percentage or the direct labor and the amounts appearing for stable and garage expense in the company's unit prices and this percentage so established extended against the direct labor claim on that particular unit. The percentage on the labor or this stable and garage item varies from 2.2 per cent. in the case of exchange underground conduit to 19 per cent. in the case of toll aerial wire.

The next item opposite the total "Labor measuring and surveying lines" in amount $212,355.58 is that amount of labor included in the company's reproduction cost statement what it alleges to be the cost of measuring and surveying toll lines. The amount included in the company's reproduction cost is in fact $347,934.00. Of this $347,934.00 [fol. 4074] $212,355.58 is the amount properly chargeable to

labor. This amount $347,934.00 included in the company's reproduction cost for measuring and surveying lines is equal to $60.00 per mile of toll lines or on the basis of forty poles to the mile, $1.50 per pole.

The next item "Total direct labor cost" is the sum of the preceding items starting with "Direct labor" and amount to $22,123,220.12.

Q. Go ahead now with the "total incidental expense,"

A. The amount shown here on page 1 opposite the title "Total incidental expense" in amount $2,987,701.16 is the amount included in the company's reproduction cost statement for incidental expense in construction. This is determined as a percentage on labor and the percentage applied to the direct labor in computing this incidental expense varies from 1.16 per cent in the case of drop wires to 60.2 per cent in the case of toll crossarms. The incidental expense is that expense of construction not otherwise accounted for in the company's unit price detail.

The next item "Total tool expense," in the amount $587,093.70 is the amount included in the company's reproduction cost statement of outside plant for the use of tools in construction. This amount is produced by taking 3.6 per cent of the direct labor excepting in the case of exchange aerial conduit, in which case the alleged tool expense is .72 of a per cent.

Q. Now go to the cost of supervision.

A. The amount shown opposite the title "Total super-
[fol. 4075] vision cost" namely $4,499,984.63 is the amount included in the company's reproduction cost for the alleged supervision cost, which is made up of what the company had originally included in its unit price detail, and the amounts of district plant supervision originally included in the company's unit price detail under the title "Labor".

Q. What percentage does that figure out of the total labor?

A. On the total of the outside plant it is 22½ per cent of the direct labor or payroll labor.

Q. In other words the total supervision cost is 22½ per cent of the outside labor, of labor on the outside plant?

A. Oh the direct labor, yes, sir.

Q. Go ahead; go into "Total labor cost," there then.

A. The total labor cost, in amount $30,197,999.61 is the sum of the total direct labor namely $22,123,220.12, incidental expense, tool expense and supervision.

The next item "adjustment" in the amount $14,814.36 is the result of the procedure of the company in building up its alleged reproduction cost in having first established a so-called reproduction cost and then before extending it against the inventory quantities to produce the reproduction cost, taking the nearest ten cents in some cases, the nearest five cents in some cases, the nearest one cent, or in some cases the nearest 50 cents. The total accumulated result of that procedure throughout the entire appraisal of the outside plant of the company results in an addition to its reproduction cost, the amount shown here $14,814.36.

The next item "Total reproduction cost", the amount [fol. 4076] $62,775,111.53, is the sum of all of the labor items and the sum of the material items.

The next item "paving cut for original installation, $1,588,486.13, is the amount that the company has included in its reproduction cost for the paving over conduits and manholes after there has been deducted from the amount originally set up the amount alleged by the company that was in excess of the amount of reproduction cost of paving over conduits and manholes for the original installation. I can make that perhaps a little bit clearer. The amount shown here $1,588,486.13 is what the company alleges as being the reproduction cost of paving over conduits and manholes not including the paving over manholes and conduits not cut at the time of the original installation of those conduits and manholes.

The next item "Total outside plant" $64,363,697.66 is obviously by inspection the sum of the two preceding amounts.

The next will be noted an item "Errors in the company's detail," a red figure in the amount $1549.19. That is the total accumulated effect of arithmetical errors in the company's unit price detail. Subtracting that from the preceding amount leaves the total there shown $64,362,048.47, which is within $19.47 of the amount included in the company's reproduction cost as being the total reproduction cost of all of the outside plant included interior block wires. The $19.47 is the total accumulated difference due entirely to methods of computing.

[fol. 4077] Q. Now proceeding to page 2 of Exhibit 2, I wish you would go through that.

A. On page 2 of what has been marked Allensworth's Exhibit No. 2 will be found a summary of the alleged reproduction cost of exchange and pole lines and crossarms and wire including drop wires.

The first figure at the top of the column on this page opposite the title "Cost of major material at point of shipment"; is the amount included in the company's alleged reproduction cost for the major material element comprised in the classification pole lines, crossarms, wire and drop wires. This amount is $9,501,424.91. The freight on those material elements is alleged to be $1,117,428.57. The cost of the major material f. o. b. Columbus, namely $11,218,418.11 is the sum of the two preceding items with the addition of the material in the company's unit prices for drops, that is, drop wires, in the amount of $599,016.55, and also material elements in certain steel pole structures in the amount of $548.08.

"Adjustment" the next item, $249,101.17 is the net result of the adjustments made by the company in its unit price detail in order to bring its alleged unit prices to what it claims to be the weighted average element of each kind of property in the outside plant. I explained that before at some length in the discussion of this item on page 1; but with particular reference to the amount shown here opposite "adjustment" that is the amount $249,101.17, that is the result of weighting the prices of poles to the weighted average size and kind of pole in the plant, and [fol. 4078] the result of weighting crossarms to the price of crossarms to the weighted average size and kind of crossarms in the plant, together with such adjustments as were made in the case of wire.

The next item "miscellaneous material f. o. b. Columbus" is the company's alleged reproduction cost of the miscellaneous material associated with the major material items in this particular classification of property.

The next item "breakage, loss and waste" shows no amount after it. In the company's unit price detail there is no specific charge made under the title "breakage, loss and waste."

The next item, "supply expense $511,403.01 is that amount alleged by the company to be the supply expense properly associated with the material elements on this particular classification of property.

The next item, "total material cost" $13,189,209.84 is the sum of the preceding items beginning with "Cost of major material f. o. b. Columbus" namely, $11,218,418.11.

The next item, "labor" is the amount included in the company's alleged reproduction cost for labor or associated with poles, crossarms, wire and including drop wires. It is determined as before explained with reference to page 1 of this Exhibit, the explanation given for the labor items with reference to page 1 of this Exhibit apply to the labor items appearing on this page. That is true also of the associated items, incidental expense, tool expense, supervision and total labor cost, the total labor cost on this page being the sum of the labor amounts.

[fol. 4079] It will be noted that the amount shown opposite the title "Supervision" namely $2,715,176.44 is 31.8 per cent of the direct labor charges on the major material elements and the miscellaneous material.

Q. Go ahead.

Mr. Burr: If you are through with page 2 I would like to ask one or two questions.

The Witness: Pardon me, Mr. Burr; I am not through with page 2.

Q. Well go ahead and finish up page 2 and then I want you to go into the note there.

A. Yes, sir, I will be glad to do so. But before doing so permit me to direct attention to the fact that the next item in the column and the last item "total reproduction cost" in amount $28,453,428.38 is the amount included in the company's alleged reproduction cost for these particular elements of plant, namely pole lines, exchange and toll crossarms, wires including drop wires.

At the bottom of the page will be noted a note as follows: "The company's items "labor", "labor on miscellaneous material" and "measuring and surveying lines" contains "supervision", "district plant supervision, company's account No. 711", "incidental expense," and "tool expense," as follows:

In the labor item there is "district plant supervision" in the amount $733,296.20; in the "labor on miscellaneous material" there is "district plant supervision" in the amount $85,330.04." In the company's alleged cost of [fol. 4080] measuring and surveying lines there is supervision in the amount $48,710.76, district plant supervision

in the amount $19,600.42 incidental expense in the amount of $57,989.00 and tool expense in the amount $9,278.24. The totals of these respective amounts is shown in the last column in this note under the title "total". In this statement the supervision amounts $48,710.76 and $838,226.66 are deducted from the company's labor, labor on miscellaneous material and measuring and surveying, and are transferred to "supervision". Incidental expense in amount $57,989.00 and "tool expense" in amount $9,278.24 are deducted from "measuring and surveying" and are transferred to the proper items.

Q. Now what is the fact as to whether you have made similar transfers in connection with other classifications of property?

A. Throughout this analysis what the company has designated "labor" in its unit price detail contains the element "district plant supervision" and throughout this analysis the "District plant supervision" is removed from the company's alleged labor cost and transferred to "supervision".

Q. Now I wish you would go to page 6.

Mr. Burr: Before leaving page 2 I would like to ask a question.

By Mr. Burr:

Q. Mr. Allensworth, will you explain why on that page you include in your labor items the item "stable and garage"?

A. I didn't include it in labor items. It just happened to fall in that particular rotation in writing up the sheet. [fol. 4081] Q. Isn't it included in the $10,029,117.81 which you call "Total direct labor cost?"

A. Yes, sir, it is.

Q. Well, it is a material cost, isn't it?

A. How is that.

Q. It is not a labor cost, is it, "stable and garage?"

A. In my system of accounting and my interpretation, yes, sir, it is exactly that. In fact before we had "stable and garage" it was always carried as "payroll labor." And pardon me, Mr. Burr; in the determination of stable and garage expense the company itself in making its analysis treats it as a labor charge and spreads the stable and garage expense in its direct labor.

Q. Doesn't the company set it up separately as a separate item "stable and garage," in contradistinction to the item of labor?

A. Well, of course, I don't understand what you may mean by the word "contradistinction". What the company actually does if my understanding of its procedure is correct, stable and garage expense is charged as I have before explained to a suspension account which in your bookkeeping you call a clearing account, and it is neither labor nor is it material, but to disperse those charges the spread is made to charges and maintenance and other operations, if any, on the basis of general employees and disbursed under those various classifications.

Q. On the basis of labor, but not as labor?

A. I haven't said I don't think at any time "as labor."

Q. The same is true, isn't it, in respect of the item shown on page 2 as "incidental expense"?

[fol. 4082] A. Yes, sir; it is treated in the same way as I understand it, through a suspension account and spread; and so far as I know, it is spread on the basis of payroll. But incidental expense is not necessarily labor, nor is it necessarily material.

By Mr. Turner:

Q. Now, you have stated that the percentage of "supervision" was 31.8 of what was that account, direct labor or this stable and garage?

A. That is direct labor.

Q. Direct labor only?

A. Payroll labor, yes, sir.

Q. Now, we will go to Page 6 if we may?

A. May I make just one more statement relative to Page 2?

Q. All right.

A. The amounts appearing on this Page, that is Page 2 of this Exhibit, are supported by the detail appearing on Pages 3, 4 and 5.

Q. Now, if you will, explain Page 6 as briefly as you can and not repeating. You may proceed.

A. On Page 6 appears the total of what the company has included in its alleged reproduction cost as being the reproduction cost of exchange and toll aerial cable, and including terminals and loading cases. The explanation that I have made heretofore as to the different items appearing

on this page, I believe apply with equal force to the amount shown here. It will be noted toward the bottom of the Page opposite the title "Supervision" there appears the amount $670,734.76. This it is interesting to note is 29.2 per cent of the direct labor. The amounts appearing on this page——

Q. Well, now, 29.2—that is for every hundred dollars [fol. 4083] of labor there is $29.20 for supervision, out of each hundred dollars?

A. That would be correct.

Q. Well, state what intervenes after Page 6 and between Page 10?

A. The amounts appearing on this page are supported by detail appearing on Pages 7, 8 and 9.

Q. Then let us turn to Page 10 and briefly state what that shows?

A. On Page 10 appears the analysis of what the company alleges to be its reproduction cost of exchange and toll underground conduit including subsidiary conduit and manholes. The items appearing on this page, I should say are understandable with the explanation that has gone before; and in the case of exchange and toll underground conduit including subsidiary conduit and manholes, I would like to direct your attention to the fact that opposite the "supervision" item on this page, namely the amount $382,800.86 is 5.7 per cent of the direct payroll.

Q. Is there any particular reason for that?

A. Yes, sir.

Q. What is it?

A. As I understand it, the company in establishing or computing its unit prices for exchange and toll underground conduit averaged in with other statistics that it had, concerning work that had been done by contract, in which case there was no supervision charges, averaging them in with the amount of work that is alleged to have been done by the company itself, and the supervision on that particular kind of work, that is, company performed work, brings the total supervision down to 5.7 per cent after adding the amount included in direct labor for the [fol. 4084] district plant supervision.

Q. Well, now, take pages 11, 12 and 13, what are they?

A. 11, 12 and 13 support the amounts appearing on Page 10.

Q. Take Page 14 and explain that, briefly?

A. Page 14 is the analysis of the amounts contained in the company's reproduction cost statement as being the alleged reproduction cost of exchange and toll underground cable including submarine cable, terminals and loading cases. The amounts appearing on this page should be readily understood from the explanation that has gone before, I believe.

Q. Calling your attention to the "supervision" item, I ask you what percentage that is?

A. Supervision in this case is 29.8 per cent of the direct labor.

Q. Well, now, give us the pages that are explanatory of that.

A. The amounts appearing on Page 14 are supported by the detail appearing on Pages 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24.

Q. Well, let us take up Page 25 then?

A. On Page 25, there appears a summary of the analysis of the company's alleged reproduction cost of total exchange outside plant including interior block wires.

Q. Is there anything about that outside of the supervision cost that you want to call attention to?

A. I believe that the amounts appearing on this page should be thoroughly understandable with the explanation that has gone before. The supervision shown on this page is equivalent to 20.87 per cent of the direct labor.

[fol. 4085] Q. What succeeding pages support this page?

A. The amounts appearing on Page 25 are supported by the detail appearing on Pages 26, 27, 28, 29, 30, 31,——

Q. Clear up to 45, isn't it?

A. And inclusive up to and including Page 44.

Q. Now, refer to Page 45 and tell us briefly about that page, pointing out the percentage of the total supervision cost.

A. Page 45 is a summary of the analysis of the company's alleged reproduction cost of total toll outside plant, and is comparable to the analysis shown on Page 25, analysis of the company's alleged reproduction cost of exchange outside plant. The amounts appearing on this Page 45 should be understandable with the explanation that has gone before.

It will be noted that the supervision cost namely, $992,071.87 is 31.6 per cent of the direct labor.

Q. Now, taking pages 46 to 63, inclusive, what are they?

A. Pages 46 to 63 inclusive support the amounts appearing on Page 45.

Q. Now, go back to Page 1 and tell us what the percentage relation is between the supervision and labor as to the total outside plant.

A. 22½ per cent of the direct labor.

Mr. Turner: If the Commission please, we offer at this time Allensworth's Exhibit Number 2.

Chairman Klinger: It may be admitted.

And thereupon the Exhibit above offered was admitted [fol. 4086] in evidence on behalf of the State of Ohio and is herewith submitted marked Allensworth Exhibit Number 2.

* * * * * * *

[fol. 4087] BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

No. 3307

In re Increased Rates of THE OHIO BELL TELEPHONE COMPANY

And thereupon the further hearing of this matter was resumed pursuant to adjournment, before Honorables William Klinger, Chairman, J. W. Huffman and F. B. Maullar, Public Utilities Commissioners, Wednesday, March 21st, 1928, at 10:00 o'clock A. M.

Appearances:

Hon. E. C. Turner and A. M. Calland, on Behalf of the State of Ohio.

Messrs. Kerl E. Burr and Ralph Marburger, on Behalf of The Ohio Bell Telephone Company.

[fol. 4088] Morning Session

Wednesday, March 21st, 1928.

Commissioner Maullar: The matter before us this morning is the continuation of The Ohio Bell Telephone Company State-wide case, and I presume it is for the cross-examination of Mr. Allensworth.

Mr. Turner: No, sir; the resumption of the examination of Mr. Allensworth in chief.

Commissioner Maullar: All right; you may proceed.

HARRY R. ALLENSWORTH, recalled as a witness on behalf of the State of Ohio, having been heretofore duly sworn, testified as follows:

Examined by Mr. Turner:

Q. Mr. Allensworth, we have heretofore introduced Allensworth Exhibit Nos. 1 and 2. Now I want to ask you if you have made a study of the reproduction cost of outside plant of The Ohio Bell Telephone Company as of June 30th, 1925?

A. I have, yes, sir.

Q. I hand you what has been marked as Allensworth's Exhibit No. 3, and ask you whether that represents the result of that study?

A. It does, yes, sir.

[fol. 4089] Q. Will you go ahead and explain that exhibit?

A. What has been marked Allensworth's Exhibit No. 3, an exhibit consisting of 75 numbered pages, is a statement of my reproduction cost of the outside plant property of The Ohio Bell Telephone Company, including interior block wires, as of June 30th, 1925.

Referring to page one of this exhibit it will be noted that thereon appears a summary of this reproduction cost statement. The summary is brought forward to this page and is shown under the usual plant classification of telephone property, namely, exchange pole lines, exchange aerial cable, exchange aerial wire, exchange underground conduit, exchange underground cable, exchange submarine cable, interior block wires, and, following that, is shown the total exchange.

Next on the sheet appears the classifications toll pole lines, toll aerial cable, toll aerial wire, toll underground conduit, toll underground cable, toll submarine cable, and under that the total of toll plant, and at the bottom of the page appears the total of the exchange and toll plant.

These totals appearing on this page are brought forward from the detail appearing on the following pages.

I wish to direct attention, however, to exchange underground conduit; opposite this title there appears the amount $7,876,629.77. That is my reproduction cost of exchange underground conduit, including the reproduction cost of paving cut at the time of original installation. The repro-

[fol. 4090] duction cost detail, however, as to this paving does not appear in the following pages.

The total at the bottom of the page, namely, $46,344,627.30, is my sum total of the reproduction cost as of June 30th, 1925, of the classification of property listed above.

Referring now to page 2 of this exhibit, it will be noted at the extreme right of the page that there is listed under the general title "Poles", sizes of poles and classes of poles in two different columns.

Next in order, reading across the page from left to right, there appears a column titled "Quantity". The sizes and the classes of poles are the sizes and classes of poles used by the Company in ereeting its reproduction cost statement. The amounts appearing in the column titled "Quantity" are the numbers of poles given me by the Telephone Company as being the number of each size and class of poles in its property.

The next column, titled "Unit Cost", is my unit cost for these various sizes of poles.

The last column, titled "Total Reproduction Cost", is produced by extending the unit cost against the quantity.

The sub-total appearing next to the last line in the column at the right of the page, namely, $7,008,477.14, is the sum total of the reproduction cost of exchange pole lines.

The last item on the page is "Cross arms", 10 foot, 10 [fol. 4091] pin, fir arms; the number, 264,910, is the number it is claimed by the Company is in its property as inventoried and presented in this case; follows the unit cost, and opposite that the total reproduction cost of crossarms.

That explanation I believe is sufficient for all of the subsequent pages in this exhibit dealing with other classifications of plant.

Q. In other words, you follow the same method all the way through in this exhibit?

A. Yes, sir.

Mr. Turner: If the Commission please, we offer in evidence Allensworth Exhibit No. 3.

Mr. Burr: We object.

Chairman Klinger: What is the ground of your objection?

Mr. Burr: We object to it, if Your Honors please, because we do not think that a proper foundation has been laid for the exhibit.

Chairman Klinger: You may note an exception; the objection will be overruled and the exhibit may be admitted.

Mr. Burr: Note an exception.

And thereupon the Document last above referred to is admitted in evidence on behalf of the State of Ohio, subject to the above objection and exception of The Ohio Bell Telephone Company and is herewith submitted and marked Allensworth's Exhibit No. 3.

[fol. 4092] Mr. Turner: I might say to the Commission that we will offer further groundwork for all of these exhibits. We have heretofore offered it and we will offer supplemental testimony in that respect a little later, and I will assure you that it will be in the record.

Q. Mr. Allensworth, you have submitted in this case an analysis of the Company's reproduction cost of outside plant which has been introduced as Allensworth's Exhibit No. 2. Have you made any analysis of your own reproduction costs of the same property?

A. I have, yes, sir.

Mr. Turner: This may be marked as Allensworth's Exhibit No. 4.

And thereupon the Document last above referred to is marked for purposes of identification herein as Allensworth's Exhibit No. 4.

Q. I hand you what has been marked as Allensworth's Exhibit No. 4 and will ask you whether that is such an analysis?

A. It is.

Q. I wish you would please explain that exhibit.

A. Referring to what has been marked Allensworth's Exhibit No. 4, an exhibit consisting of 63 numbered pages, there appears therein a statistical analysis of my reproduction cost of outside plant of The Ohio Bell Telephone as of June 30th, 1925. In this exhibit there appears an analysis of the reproduction cost that has just been in-

[fol. 4093] troduced in evidence in what has been marked Allensworth's Exhibit No. 3.

In making this analysis I followed exactly the same procedure and the same methods used in making the analysis that I made of the Company's reproduction cost.

Q. That is in Exhibit No. 2?

A. Which appears in Exhibit No. 2, yes. Referring to page one of this exhibit it will be noted that my reproduction cost is brought forward here and shown in total charges of the following nature:

The first item, "Cost of Major Material at Point of Shipment", there is no amount opposite that title for the reason that all material prices that I used in my reproduction cost are quoted F. O. B. average Ohio points. The Company, however, used material prices F. O. B. point of shipment.

The next item, "Cable Loss", is, as has been heretofore explained in my discussion of my analysis of the Company's reproduction cost, that amount chargeable to cable installation cost for cable lost in handling.

The next item is "Freight".

Following that is "Cost of Major Material F. O. B. Columbus."

Following that is "Adjustment.

Following that is "Miscellaneous Material F. O. B. Columbus".

Following that is "Supply Expense".

Following that is "Total Material Cost";

[fol. 4094] "Direct Labor;"

"Labor on Miscellaneous Material";

"Stable and Garage";

"Labor Measuring and Surveying Lines";

"Total Direct Labor Cost";

"Total Incidental Expense";

"Total Tool Expense";

"Total Supervision Cost";

"Total Labor Cost";

"Adjustment";

"Total Reproduction Cost";

"Paving cut for Original Installation";

"Total Outside Plant".

The amounts appearing on this page and the amounts appearing on each page of this Exhibit are directly comparable as to accounts, that is, as to divisions, of the Company, page for page, with the analysis of the Company's reproduction cost which has been introduced in what has been marked Allensworth's Exhibit No. 2.

Chairman Klinger: Just a question; in this explanation you give on page 1 of your Exhibit No. 4, you say "Total Labor Cost $14,364,123.02"; that is not intended to be just labor, is it?

The Witness: Yes, sir.

Chairman Klinger: Haven't you got tool expense and

supervision cost and incidental expense and stable and garage and all that in there?

The Witness: Yes, sir, for the reason, Your Honor, that [fol. 4095] in my cost accounting and my appraisal work I always consider those charges as labor charges.——

By Mr. Turner:

Q. Is that customary?

A. It is.

Q. Go ahead, Mr. Allensworth, if you have anything further. I call your attention to the item of "Total Direct Labor Cost $11,872,541.00" on that same page, page 1 of Exhibit 4, and ask you what relation that bears to the other item just referred to?

A. That is a part of the $14,364,123.02 item.

Q. Do the subsequent pages of this exhibit show how the items on page 1 are made up?

A. Yes, sir; the amounts appearing on page 1 are supported by the amounts appearing upon the following pages in the exhibit.

Mr. Turner: We offer in evidence Allensworth's Exhibit No. 4.

Mr. Burr: We make the same objection.

Chairman Klinger: The objection will be overruled; you may note your exception, and the exhibit will be admitted.

Mr. Burr: Note an exception.

And thereupon the Document last above referred to is admitted in evidence on behalf of the State of Ohio, subject to the above objection and exception of The Ohio Bell Telephone Company, and is herewith submitted and marked Allensworth's Exhibit No. 4.

[fol. 4096] Mr. Turner: This document may be marked for purposes of identification as Allensworth's Exhibit No. 5.

And thereupon the Document last above referred to is marked for purposes of identification herein as Allensworth's Exhibit No. 5.

Q. You have submitted in this case an analysis of the Company's reproduction cost which is known as Allensworth's Exhibit No. 2; your own reproduction cost of the outside plant, which is known as Allensworth's Exhibit No. 3; and an analysis of your own reproduction cost of outside plant, which is known as Allensworth's Exhibit No. 4. Have

you prepared an exhibit based on those analyses showing the differences between the Company's reproduction cost of outside plant and your own reproduction cost of outside plant?

A. I have, yes, sir.

Q. I hand you what has been marked as Allensworth's Exhibit No. 5, and ask you whether that is such a comparison?

A. It is.

Q. Will you explain that exhibit in a general way, especially as to its make-up?

A. What has been marked Allensworth's Exhibit No. 5 is a collation of the results of my analysis of the Company's reproduction cost and my analysis of my own reproduction cost, showing differences of various items.

I wish to explain at this time that in making up my analysis of the Company's reproduction cost there was an inadvertent transposition of figures in two columns in the [fol. 4097] detail of that analysis and the amounts appearing in what has been marked Allensworth's Exhibit No. 5 substitute the amounts appearing in what has been marked Allensworth's Exhibit No. 2. I will explain further that this transposition of figures makes no difference in the total or in the effect of the analysis; it is a mere technical detail and I have made the correction in bringing these amounts forward to this collation.

Q. In other words, you mean the corrected figures have been used, but in transcribing them they have been put down incorrectly?

A. Exactly so.

Q. It is a typographical error? (No reply.)

Chairman Klinger: I do not gather yet where that is.

Mr. Turner: It is in Exhibit No. 2, Your Honor. There was a transposition of figures in Exhibit No. 2, and they have been corrected in Exhibit No. 5. The transposition of figures in Exhibit No. 2, as I understand Mr. Allensworth, makes no difference in the totals. Exhibit No. 2 was introduced at our first hearing.

Commissioner Maullar: It has been corrected, however, in Exhibit No. 5?

Mr. Turner: Yes, sir.

Mr. Burr: What are the figures?

The Witness: Pardon me; may I make an explanation for the Commission?

By Mr. Turner:

Q. Sure.

A. It is rather lengthy.

[fol. 4098] Q. Go right ahead.

A. And entirely technical. In making up my analysis of the Company's reproduction cost I was obliged to handle many thousands of entries and extensions because of the fact that the various unit prices employed by the Company were made up of many different charges. I was obliged to extend each individual charge in each particular unit price against the inventory quantities, and the mass—the statistical mass of detail got to be quite considerable.

In summarizing these amounts produced by this analysis, my assistant, in bringing them forward into a summary sheet, inadvertently carried one amount from one column and put it in the wrong column on the summary sheet. The amount was two thousand and some dollars, and appears in the column "Cable Classification". That transposition of figures was this, that an amount that should have been "Miscellaneous material" was inadvertently brought in and added into the column that was titled "Adjustment", so that it made a two thousand dollar error one way or the other in these two entries, but does not affect the total and does not affect the analysis. But in bringing those amounts forward to what has been marked Allensworth's Exhibit No. 5 I have made the correction, and my first explanation was that the amounts appearing in what has been marked Allensworth's Exhibit No. 5 as being the analysis of the Company's reproduction cost supersede the amount appearing in what has been marked Allensworth's Exhibit No. 2.

Q. Do you have any further explanation to make as to [fol. 4099] the make-up of this Exhibit No. 5?

A. The various pages constituting what has been marked Allensworth's Exhibit No. 5 show the amounts appearing in what has been marked Allensworth's Exhibit No. 2 and the amounts appearing in Allensworth's Exhibit No. 5 carried into this exhibit page for page.

Chairman Klinger: I do not care whether it goes into the record or not, but I just want the information. I may be a little bit dense. On your page 1 of Allensworth's Exhibit No. 5, in the column headed "Company's Reproduction Cost" and "Allensworth's Reproduction Cost", your

first item, you carry only the Company's reproduction cost.

The Witness: I have no comparable item for that in my reproduction cost, Your Honor.

Mr. Turner: I will ask a question in regard to that a little later, Your Honor, before the exhibit is offered.

Chairman Klinger: I see.

Commissioner Maullar: Let me ask you, Mr. Allensworth; I notice a great difference in the reproduction cost between you and the Company is the item of total labor cost; do you know how the reproduction cost of total labor compares with Hagenah's valuation for that item?

The Witness: I do not, no, sir.

By Mr. Turner:

Q. Have you any further explanation of the make-up of this exhibit?

A. Will the reporter please go back and read my last [fol. 4100] remarks relative to that exhibit?

(Last answer read.)

The Witness: Exhibit No. 5 there should be Allensworth's Exhibit No. 4; so that the various pages constituting what has been marked Exhibit No. 5 are directly comparable to the pages, page for page, appearing in Allensworth's Exhibit No. 4, and also in Allensworth's Exhibit No. 2.

Q. And directing your attention to page 1 of Exhibit No. 5, please explain the first item thereon, designated "Cost of Labor Materials at Point of Shipment".

A. In the column titled "Company's Reproduction Cost" there appears opposite the title "Cost of Major Material at Point of Shipment," the amount $22,920,745.77.

The Company's alleged cost of major material, that is, $22,920,745.77, is the amount it claims it would pay the Western Electric Company, F. O. B. Hawthorne, Illinois, as of June 30th, 1925, with a few exceptions, for the major material elements comprised in the following plant classifications: exchange and toll poles, exchange and toll crossarms, exchange and toll aerial wire, exchange and toll aerial cable, exchange and toll underground conduit, interior block wires.

It will be noticed in the column titled "Allensworth's Reproduction Cost", there is no amount appearing opposite this entry. That is for reasons as will be explained later in my testimony.

Q. Now take up the item designated "Cable Loss" and [fol. 4101] and explain the reasons for the difference between the Company's reproduction cost and your reproduction cost on this item?

A. The amount included in the Company's alleged reproduction cost for the item "Cable Loss", that is, $311,687.70, is produced from the assumption that in the handling and placing the amount of aerial and underground cable in the Company's inventory, both exchange and toll, there would be encountered a loss of 3 per cent of the cable due to waste in splicing and supposedly other losses. 3 per cent is equal to 30 feet per 1000 feet of cable.

The Company's alleged amount of cable loss is excessive and would not be encountered in any properly conducted cable construction program.

The excessive amounts claimed as the amount of cable that would be lost or wasted in the handling and placing of cable is, however, not the greatest of the errors in the alleged amount of this item appearing in the Company's reproduction cost statement.

Cable loss is the cost of the amount of cable cut away or otherwise destroyed in splicing cable and in handling.

The constituent metals of telephone cables are lead and copper and to some extent antimony and tin. The recovery or junk value of these metals is high in proportion to the price of such metals entering into the cable. Accordingly in the determination of cable loss the recovery or junk value of the metals must be credited against the cost of the cable wasted in cutting, etc.

[fol. 4102] In the Company's unit price detail it does not appear that any allowance is made for the recovery value of metals in the cable wasted in splicing, etc., and, in fact, a cable loss of three per cent after allowing for junk value cannot be obtained from any reasonable concept of cable installation costs.

The total amount contained for this item, that is, cable loss, in my reproduction cost, that is, $38,161.69, is produced from, first, an ample allowance for cable wasted in splicing cables and otherwise wasted in handling; and, second, crediting against the amount thus wasted the recovery or junk value of the metals recovered.

Mr. Burr: If Your Honors please, I move to strike out the word "ample"; it seems to me that is a self-serving

declaration. It may be the witness's allowance, but whether it is an "ample" allowance is for the Commission to decide.

Mr. Turner: This witness is testifying as an expert and that is his opinion.

Chairman Klinger: That makes his opinion evidence competent. The motion will be overruled.

Mr. Burr: Note an exception.

Q. Go ahead.

A. The amount of difference between the Company's alleged reproduction cost and my reproduction cost for this item, that is, cable loss, amounting to $243,526.01, consequently results from two excesses in the Company's alleged reproduction cost; first, the excessive amounts claimed by the Company as cable wasted in handling and splicing, and, [fol. 4103] second, the excess in the Company's alleged reproduction cost through its failure to properly account for hundreds of tons of valuable junk.

Q. Now take up the item of "Freight" and tell us about that.

A. There is no direct comparison between the amount included in the Company's alleged reproduction cost statement for the item "Freight", that is, the amount of $1,615,067.60, and the amount included in my reproduction cost for this item, namely, $28,247.22, because the item "Freight" in the Company's statement is the alleged amount that it would pay in liquidation of freight charges on major material elements on the premise that practically all materials would be purchased F. O. B. Hawthorne, Illinois, that is, Chicago, and freight thereon would be paid for delivery to average Ohio points. In the case of poles, freight from Minnesota Transfer, that is, St. Paul, to Columbus is added. In all cases Columbus is accepted as being the representative Ohio point for the purpose of computing freight charges.

In my reproduction costs the item "Freight", that is, the amount of $28,247.22, is the amount of freight expense that would be incurred in returning empty cable reels to the cable factory.

In my reproduction costs, material prices F. O. B. representative Ohio points are used throughout and Columbus is accepted for this purpose as the representative Ohio point.

Q. Now I wish you would take up the item designated [fol. 4104] "Major Material", or, rather, not major mate-

rial but "Cost of Major Material F. O. B. Columbus", and discuss that; make some comparisons?

A. The amount included in the Company's alleged reproduction cost statement for this item, that is, $26,921,280.70, is the Company's alleged cost F. O. B. Columbus of major material elements comprised in all outside plant classifications including interior block wires. The source of the Company's alleged prices for these major material elements has been explained heretofore in my testimony.

The amount included in my reproduction cost for the item "Cost of Major Material F. O. B. Columbus", namely, $26,280,649.80, is the market price of major material elements comprised in all outside plant classifications including interior block wires.

My reproduction cost is erected upon the same inventory quantities as is the Company's alleged reproduction cost. Consequently, the difference between the Company's alleged cost of major material F. O. B. Columbus and the amount included in my reproduction cost for this item, which difference amounts to $640,630.90, is due to the difference between what the Company alleges it would pay the Western Electric Company for these materials, with few exceptions, as will be noted, as of June 30th, 1925, plus freight, and what another purchaser could have purchased the same materials for in the open market, freight charges to average Ohio points, that is, Columbus, being included.

Mr. Burr: Mr. Allensworth, in order that we may check [fol. 4105] your figures, will you give us the source of the costs which you have applied in arriving at the amount given in your exhibit under the heading "Cost of Major Material F. O. B. Columbus"?

Mr. Turner: I will get to that, Mr. Burr, if you please, before I offer this exhibit, and if I do not get it fully before I offer it, will you ask your question then?

Q. Go ahead with your answer.

A. Continuing then; however, there is included in my material costs in various units allowances of the nature of charges for omissions, which will be referred to later, totaling $58,575.36, so that the difference between the amount included in the Company's alleged reproduction cost for cost of major material F. O. B. Columbus and the amount included in my reproduction cost for the same item

is $58,575.36 more than the amount shown on this page, namely, $640,630.90, or, in fact, $699,206.26.

Q. Now I wish you would take up the item "Adjustment" and discuss that?

A. The Company's priced inventory reveals its claimed inventory quantities expressed in terms of standard plant units. "Adjustment" is made to convert the material elements actually in its plant to standard plant units. For example, poles are listed as standard lengths and kind, and one standard classification or size for each length. The average pole in its plant may be more or less than this listed standard as to price, and by weighted averages the average price of the poles of each length in the Company's [fol. 4106] plant is determined. The average price thus determined is compared with the nearest price of a Northern cedar pole and a conversion factor adapted that converts the alleged price of a standard pole to the weighted average price of poles in the plant.

The same procedure is followed in the pricing of crossarms, wire and cables.

In my reproduction cost I have used adjustment factors for poles, crossarms and wires as found by the Company. It will be noted that the method employed by the Company in making this adjustment is essentially one that renders the factor sought a function of material prices. With different prices different ratios of adjustment factors will be produced. Thus, because the Company has over-priced what it terms double wrapped cable, its adjustment for cable, being a percentage factor applied to alleged cable prices, produces excessive excess in its adjusted cable prices of considerable amount.

Illustrating this statement further, I have already stated that the so-called conversion factor—I am using the Company's term—on poles and wire and crossarms that I have used in my reproduction cost are the same as found by the Company. However, there is a difference in the price of poles that I have used as compared with the price that the Company used as being the price of poles. The effect of this difference in price upon the adjustment factor as to poles exchange and toll produces a total amount of adjustment for poles in my reproduction cost 10 thousand dollars [fol. 4107] —that is, $10,411.32 less than the adjustment in the Company's reproduction cost.

The same condition obtains in the pricing of material elements in other classifications of property.

However, I think it may be well at this time to direct attention to the fact that the cable prices that are used as a basis of my reproduction costs as the cable prices, are used in my unit costs. The sum total of cable cost produced therefrom in the case of aerial cable alone is $38,188.69 higher than the cable cost as alleged by the Company.

In the case of underground cable, the prices that I used in my unit prices produce a total amount as cost of underground cable $13,675.44 higher than the prices used by the Company. However, when these cable prices as such are adjusted by the conversion factors and the amount of adjustment is found, the adjustment used by the Company to convert these cable prices to what it alleges to be the price of the average kind of cable in its plant, in the case of aerial cable, the Company's adjustment factor, or the adjustment, produces an amount of $175,568.33 more than the adjustment that I used in my reproduction cost.

In the case of underground cable, the adjustment of the Company produces $365,906.66 greater than the adjustment that I used in my reproduction cost, or a total in the item alone for adjustment of $541,474.99. That is to say, that the Company's adjustment of its cable prices is $541,474.99 more than the adjustment of my cable prices to bring [fol. 4108] cable prices to what the Company alleges to be the average cable in its plant.

I will explain further, in making these adjustments I have used identically the processes employed by the Company; I have used the data, that is, as to inventory quantities, furnished me by the Company, and the difference in this adjustment is produced entirely through a difference in the base price of materials.

There are other differences, and I may mention one; in the case of underground conduit, the Company prices its conduit at so much per duct foot, as I understand its explanation as appearing in its detail unit orices, as being the price of underground conduit F. O. B. Brazil, Indiana.

I have quotations from standard conduit manufacturers that quote identically the same material as of the same date F. O. B. Columbus for practically the same price per foot as the Company claims would be the cost of conduit

at Brazil, Indiana. There is, accordingly, no addition for freight in my reproduction cost for the item "Conduit".

To continue then on the subject of adjustment, it will be noted on page 1 of Exhibit 5 that the total difference in the material cost before adjustment, that is, the total difference in material cost F. O. B. Columbus, is $640,630.90; the difference due to adjustment, as shown on this page, is $522,596.55, and the difference after adjustment is the sum of [fol. 4109] these two amounts, namely, $1,163,227.45.

Q. Now take up the item designated "Miscellaneous Material F. O. B. Columbus" and explain the reasons for the difference between the Company's reproduction cost and your reproduction cost in respect to this item.

A. The amount included in the Company's alleged reproduction cost for the item "Miscellaneous Material", that is, $2,962,930.48, is $647,227.06 in excess of the amount included in my reproduction cost for the same item, that is, $2,360,651.26.

This amount of difference that I have just mentioned does not agree with the amount $602,279.22 appearing on page 1, for reasons that I will give.

The explanation given relative to excesses in the Company's pricing of major material applies to this item, "Miscellaneous Material".

Q. Now, does the sum of the differences in the two items "Cost of Major Material F. O. B. Columbus", $1,163,227.45, and the item "Miscellaneous Material F. O. B. Columbus", $602,279.22——

A. Pardon me, Mr. Turner; may I continue?

Q. Well, let me ask this question and then if you want you can go back; does that represent the difference between the Company's reproduction cost and your reproduction cost due to differences in price of materials; and, if not, please explain any other items which should be taken into consideration?

A. It does not produce the total difference, no, sir. I will explain later, after I have completed my discussion [fol. 4110] relative to the miscellaneous material item.

Q. All right; go ahead then.

A. It will be noticed with reference to page 1 of this exhibit that the amount of difference between the amount included in the Company's alleged reproduction cost of miscellaneous material and the amount included in my repro-

duction cost for this same item, that is, the amount of $602,279.22, this amount is the result of bringing forward into page 1 the total of the cost of miscellaneous material appearing in the various detail pages in this and other exhibits. There is, however, included in my miscellaneous material cost the item of breakage, loss and waste in certain classifications of the property amounting to $44,974.84, and that produces the difference between the amount that I have stated as being the total difference on this miscellaneous material item, namely, $647,227.06, and the amount appearing opposite that title on this page 1.

Now, referring to the question asked by the Attorney General as to the difference in the total of material costs, I have stated that the difference in cost of the major material F. O. B. Columbus, together with the adjustment, amounted to $1,163,227.45; adding to this the difference in the item I have latterly discussed, namely, miscellaneous material, a difference to the amount of $647,227.06, brings this total difference to $1,810,454.51. However, as I have heretofore explained in my testimony, there is included in my cost of major material F. O. B. Columbus $58,575.36, a [fol. 4111] charge of the nature of an omission charge. Taking that into account then produces a total difference of $1,869,029.87.

Q. That is the total difference due to prices, is it?

A. It is.

Q. All right. Now state the source of the prices of material upon which your reproduction cost of the outside plant is based, beginning with poles.

A. The pole prices that I have used as the basis of my reproduction cost of poles is from a quotation of The Naugle Pole & Tie Company, which quotation appears on the stationery of the Company, dated July 2, 1927, addressed to

"Mr. H. R. Allensworth, Consulting Engineer, Columbus, Ohio.

DEAR SIR:

With reference to your recent letter, we wish to quote you the following prices on A#1 Northern White Cedar Poles, N.E.L.A. Specifications guaranteed, in carload lots, F. O. B. Columbus, Ohio—(As of June 1925)"

I will explain, before going further in my reading of this letter, that what is referred to here as "N.E.L.A. Specifications" is, in fact, the A. T. & T. specifications.

Mr. Burr: Do you state that from actual knowledge, Mr. Allensworth?

The Witness: Yes. There follows a list of poles of various sizes, beginning with a 20 foot D, which is quoted at $2.01.

[fol. 4112] Mr. Burr: If Your Honors please, it seems to me that the record ought to show Mr. Allensworth's request to the Pole Company and show in full the Pole Company's reply to his request, if that is to be used as the basis for his costs used in this case. I assume Mr. Allensworth will have no objection to disclosing both his letter and the one in answer?

The Witness: None whatever, Mr. Burr, only I do not think I have the other side of the correspondence here, and I will explain for the record——

Mr. Burr: Well, may we have access to it?

The Witness: You may; very glad to show it to you.

Mr. Turner: We will be very glad to introduce the letter, Mr. Burr.

Chairman Klinger: All right; there will be no trouble about that then.

The Witness: I might explain for the record that the letter of inquiry is merely a very formal letter—"Will you please quote prices on such and such poles as of June, 1925".

By Mr. Turner:

Q. Proceed with the reading of this one letter.

A. I read the first item appearing on the page.

"Class "D" 20 foot poles	$2.01 each
Class "C" 20 foot poles	$3.24
Class "B" 20 foot	$4.48
Class "A" 20 foot	$6.10

[fol. 4113]

Class "D" 25	$5.25
Class "C" 25	$6.00
Class "B" 25	$7.85
Class "A" 25	$10.70
Class "D" 30	$6.85
Class "C" 30	$7.85
Class "B" 30	11.75

Class "A" 30	18.35
Class "D" 35	14.25
Class "A" 35	14.75
Class "B" 35	18.85
Class "A" 35	21.80
Class "D" 40	17.95
Class "C" 40	19.95
Class "B" 40	21.80
Class "A" 40	24.30
Class "D" 45	21.80
Class "C" 45	22.00
Class "B" 45	26.30
Class "A" 45	28.75
Class "D" 50	23.75
Class "C" 50	24.00
Class "B" 50	28.50
Class "A" 50	33.65
Class "D" 55	27.65
Class "C" 55	28.55
Class "B" 55	33.65
Class "A" 55	40.60

[fol. 4114]

Class "B" 60	$40.60
Class "A" 60	47.75."

Continuing with the reading of the letter:

"If there is any further information which you desire please do not hesitate in calling on us.

(Signed) Yours very truly, H. C. Stephens, Sales Representative."

Mr. Burr: Have you read the entire letter, Mr. Allensworth?

The Witness: Yes, sir. Do you wish to examine it?

Mr. Burr: I would just like to look at it for a moment.

Mr. Turner: Certainly (handing letter to Mr. Burr). I do not want to unnecessarily encumber the record but if you will want them I will introduce them in the record.

Mr. Burr: Not if we may have a copy.

Mr. Turner: We will give them a copy.

By Mr. Turner:

Q. Have you anything further on poles now?

A. Yes, sir.

Q. Go right ahead.

A. These prices as quoted are subject to a discount of two per cent, which I may explain is the customary trade practice. Also I wish to explain——

Mr. Burr: Mr. Allensworth, are you now supplementing [fol. 4115] this letter?

The Witness: No, sir, I am testifying on the subject of pole prices.

Mr. Burr: Are you undertaking to say that this two per cent is quoted to you by the Pole Company whose letter you have read in evidence?

The Witness: Yes.

Mr. Burr: It is in that letter, is it?

The Witness: It is not in the letter, no, sir.

Mr. Burr: I see.

The Witness: I have stated, if you please, Mr. Burr, that that is customary trade practice.

Mr. Burr: But you do not want the Commission to understand that it is in this letter?

The Witness: It is not written in the letter, no, sir.

Mr. Burr: All right.

By Mr. Turner:

Q. Go ahead.

A. I wish to explain further that in making my inquiry as to pole prices as of June, 1925, which inquiry of necessity in my case was made during the summer of 1927, I received from various pole producing companies and various pole dealers prices of class stock poles, that is classification poles as I have read here, that were less than these quotations.

Mr. Burr: We object to that.

Chairman Klinger: Unless it is brought out by cross-examination, the objection will be sustained.

Q. What further data have you on the price of poles? [fol. 4116] A. I have quotations from other producers and dealers, and other producers and other dealers have quoted prices as of this date lower than the prices appearing in this letter.

Mr. Burr: I object to that.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

By Mr. Turner:

Q. Just explain; go right ahead and explain why you did not use those figures?

A. The reason that I did not use these lower figures was because of the fact that they were quoted by dealers who acknowledged in their communication that they did not have a complete stock of class poles and were not in a position to furnish a complete stock. They quoted prices on various sizes of poles, but the list was incomplete; for that reason I did not use their prices.

Q. But their prices on the ones they did quote were lower?

Mr. Burr: I object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Chairman Klinger: It is possibly objectionable in form.

Mr. Turner: I admit that, but I was trying to get it as quickly as possible.

Q. Have you anything further on poles?

A. No, sir, not at this time.

[fol. 4117] Q. All right; now proceed to cross-arms.

A. The price for cross arms used in my reproduction cost is the price at which cross arms were delivered in carload lots to the City of Columbus Municipal Light Plant in April, 1925; that is, the contract was entered into in April, 1925, and cross arms were delivered some time subsequent thereto. The price of these arms, a standard 10 foot arm——

Mr. Burr: I object, if you are going to state the price. Read the previous answer.

(Previous answer read.)

Chairman Klinger: What is your objection to it?

Mr. Burr: Partly because, Your Honors, April, 1925, is not June 30th, 1925, and for the further reason that there is nothing in the record to show that the specifications in respect to the cross arms concerning which he is going to testify were anything like those for the cross arms which he has appraised in this case.

By Mr. Turner:

Q. Can you answer that objection, Mr. Allensworth?

A. Yes, sir.

Q. Go right ahead then.

A. The pricing upon the cross arms—the particular arms upon which this sale was made are identical as to standard with the cross arms used as the basis of pricing the arms in the Company's alleged reproduction cost; that is to say, they are standard 10 foot arms, 3¼ x 4¼ in cross section, Western fir, and are sold by The Kellogg Switchboard & Supply Company.

Chairman Klinger: What do you say as to the factor of time?

[fol. 4118] *Chairman Klinger: What do you say as to the factor of time?*

The Witness: I was going to touch on that, if Your Honor please. I made an inquiry at the time as to whether there had been any change in price from this time, April 11th, until June 30th, 1925, and I am informed that there has not been. In fact, I was informed by a representative of mine—in fact, a friend of mine, who interviewed cross arm producers on the Pacific Coast, that there had been——

Mr. Burr: Just a moment; I object.

Chairman Klinger: Objection sustained.

Mr. Burr: We do not want to be captious in this matter. All we want to do is to get at the facts, and perhaps we better withhold our objections until after we have had an opportunity to cross-examine Mr. Allensworth. I do not want to disturb his testimony by constant objections, because I recognize that it is more satisfactory to you, and certainly it is to us, to have it come in in a certain amount of continuity, but once in awhile it seems to me the record must be saved in some respects.

Mr. Turner: We have no objection to your saving the record in any way or objecting later and moving to strike out. Of course the last answer was not brought out in the regular way. That was brought out as a result of the objection. We do not want to base this merely on hearsay; and when it comes to this contract here, if you insist, if you make us bring up the City officials and show what they [fol. 4119] paid, rather than to let Mr. Allensworth testify, based upon the certificate that he has here from the City officials,—of course, if you insist upon the technical procedure as to objections on the ground of hearsay, we will have to call the City officials.

Mr. Burr: The objection does no go to the amount in dollars which the City may have reported to Mr. Allensworth as having paid for the cross-arms; it goes to the question of the date as to when the cross arms were purchased, and also the specifications.

Mr. Turner: Well, he has given you the specifications, so if they do not match up that speaks for itself.

By Mr. Turner:

Q. Go ahead then.

Chairman Klinger: The point is, can this witness testify whether or not the prices that he has given were available as of June 30th, 1925?

Mr. Turner: He has so answered, that they were from his investigation as an expert.

Chairman Klinger: All right.

Mr. Burr: But his investigation, as I understood, was based upon what a friend told him that somebody else had told him on the Pacific Coast.

Chairman Klinger: You better eliminate that.

The Witness: Pardon me, that is not the condition, Mr. Burr. There was a friend of mine, upon my request, who——

Mr. Burr: Well, just a moment, if you please. I do not [fol. 4120] think that is proper, and I object.

Mr. Turner: Well, a man must get information some times just as you have, through an assistant.

Mr. Burr: Of course, that sort of thing——

Mr. Turner: I do not want to get anything in that you cannot properly cross-examine on. I do not want that.

Mr. Burr: I knew you would recognize that.

Mr. Turner: But outside of that, I do want to short-cut everything that we can.

Chairman Klinger: The objection will be sustained on this particular factor.

Mr. Turner: That is, as to what he was stating at the time, but not as to the price that the City of Columbus paid?

Chairman Klinger: No.

Mr. Burr: Note our exception.

Q. Go ahead and state the price?

A. The price paid was $103.15 per hundred, and that is the price that I used in pricing the cross arms in my reproduction cost.

Q. Is there anything further you have on cross arms?

A. I think not at this time.

Q. All right; take up wire?

A. The prices that I used as the price of copper wire as of June 30th, 1925, are produced from the base price upon which large producers were quoting as of that date and adding thereto the addition factors of various sizes of wire, which is a practice that is followed universally throughout the trade.

[fol. 4121] I wish to explain for the benefit of the Commission that all copper wire is priced first on a bar price; that is, wire bar price; then there is what is known to the trade as the wire base price, the wire base as being higher than the bar price.

The Anaconda Copper Company and The American Brass Company publish a price list of copper wire. The price list published by them is in the form of addition factors for various kinds of copper wire. So that taking this price list and adding the amount shown in the various columns of different kinds of wire produces the then selling price of wire. It is the universal practice among wire producers and those selling and handling wire to use this Hand Book, this price list, of The American Brass Company, as the basis for all quotations and all sales. The base price to which these additions are made will vary with different producers, so that to get the base price upon which wire was being quoted as of June 30th, 1925, I addressed a letter to The Standard Underground Cable Company, Pittsburgh, large producers of copper wire, and got this letter in return, on the stationery of The Standard Underground Cable Company, dated August 23, 1927:

"Mr. H. R. Allensworth, 456 East Rich Street, Columbus, Ohio.

Dear Sir:

Your letter of August 18 has been received and we find that your statement that on June 30, 1925, the American [fol. 4122] Metal Market quoted the copper wire base at from 15.75 to 16 cents per pound, is correct. However, we were at that time quoting on large matters to as low as 15⅛¢ base and on smaller amounts, carloads, or less, from 15⅛¢ to 15⅝, depending somewhat on the class of material involved.

There prices were all F. O. B. our mill, Perth Amboy, New Jersey.

Yours very truly, Standard Underground Cable Co., Arthur A. Anderson, Manager, Central Sales Dept."

AAA-G.

On further explanation, The American Metal Market quote metal prices to the trade; they publish a Hand Book once a year which contains the prices of the various metals in different markets. In looking up the base price of copper I found that the American Metal Market quoted the wire base as of June, 1925,—June 30th, 1925, at 15.75 to 16 cents per pound. That quotation, or that item, in this Hand Book caused me to address a letter to The Standard Underground Cable Company, which produced this letter. That is an explanation of the first sentence therein, which I will read again: "Your letter of August 18th has been received and we find that your statement that on June 30th, 1925, the American Metal Market quoted the copper wire base at from 15.75 to 16 cents". This letter though shows that large producers were quoting as of that date, actual quotations for actual delivery, amounts considerably less than that, namely 15⅛ cents base.

[fol. 4123] Q. What base did you use?

A. 15⅛ cents F. O. B. Perth Amboy, New Jersey.

Mr. Burr: Mr. Allensworth, for our information, have you any prices quoted by manufacturers of drawn wire such as that found in the plant of The Ohio Bell Telephone Company as of June 30th, 1925?

The Witness: I think I have. I have been, I think, Mr. Burr, somewhat specific in reciting for the benefit of this record the trade practice in pricing copper wire.

Mr. Burr: Well, what I am asking you for is this, are the prices for drawn wire, if any, which you used in arriving at your appraisal in this case—I mean prices—have you any such prices quoted by the manufacturers as of June 30th, 1925, for drawn wire such as present in this Company?

The Witness: That is exactly what I am reading into the record; I am reading a quotation from a very large manufacturer of drawn copper wire and he instructs me that the base price as of that date was 15⅛ cents, and were the same manufacturer quoting me on an actual bona fide

quotation for purchase they would undoubtedly quote the same way, knowing that I would know from that base what the price of wire was.

Mr. Burr: You say you have a base wire quotation; have you any quotation of costs and did you use any for drawn wire?

The Witness: Well——

[fol. 4124] Mr. Burr: That is, manufacturer's cost of drawn wire?

The Witness: I do not understand what you mean by drawn wire; there is no such thing excepting drawn wire; I don't know how you would produce a wire otherwise; this price is drawn wire.

Mr. Burr: Is the base price the same as the drawn wire price?

The Witness: Yes, up to and including No. 8. From 4-0 to No. 8; that is drawn wire.

Mr. Burr: How about No. 12 to No. 14 wire?

The Witness: The price of the wire is produced by taking the addition factors published by the American Brass Company, which appears on page 10 of that Manual, and adding it to the base price.

Mr. Burr: Let me ask you again, have you used any manufacturer's prices for drawn wire Nos. 12 and from there up in arriving at your appraisal in this case?

The Witness: Yes, I used the quotation of The Standard Underground Cable Company, which is the quotation I have read into the record.

Mr. Burr: Do you want this Commission to understand that these costs which you have read as quoted to you by The Standard Underground Cable Company are their prices for drawn wire?

The Witness: Absolutely.

Mr. Burr: Very well.

[fol. 4125] The Witness: That is exactly what I am testifying.

Mr. Burr: Is it so stated in their letter?

The Witness: I have read the letter, Mr. Burr. I don't know just what you refer to now.

Mr. Burr: Well, we will see the letter and your request?

The Witness: Surely.

Mr. Burr: Thank you.

By Mr. Turner:

Q. Right at that point, the conversion factors are used by all manufacturers of wire, are they?

A. They are.

Mr. Burr: If he knows.

The Witness: They are, and this particular Manual published by The American Brass Company is used by the price department of The Standard Underground Cable Company. I know that of my own knowledge.

Q. All right. Go ahead, if there is anything further you have to answer on the wire.

A. I think I have explained sufficiently.

Q. All right. Then go into the cable; go ahead with the cable. Proceed on cable and give your basis of cable prices?

A. The prices for cable on which my reproduction cost of cable is erected are quotations from The Standard Underground Cable Company on various sizes and kinds of cable. I have before me letters from The Standard Underground Cable Company quoting prices on a great many sizes and kinds of cable. I think that the quotation on the 22 guage [fol. 4126] cable will be typical. This quotation was addressed to me under date of October 14th, 1927.

Q. I think you better put them all in, Mr. Allensworth, even though it takes some time to.

A. Very well, sir.

Mr. Turner: Are you satisfied for him to put the base in and use the rest of that for cross-examination?

Mr. Burr: No, we prefer to have them all.

Mr. Turner: All right; I prefer to have them all myself.

Q. Go ahead and put them all in.

A. Going back then, I have before me a letter from The Standard Underground Cable Company, dated October 14th, 1927, the Company's file number of this correspondence being No. 5092; addressed to H. R. Allensworth, Consulting Engineer, 515 Chamber of Commerce Building, Columbus, Ohio.

"We quote you as follows on material made up as indicated, subject to the terms and conditions mentioned on

the back hereof, except as hereinafter modified." And opposite the form title on the letter for "Quantity and Price", there is the quotation "For Estimating Purposes Only".

The first item is "25 pair No. 22 American Wire Gauge single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .070 inches, lead containing one per cent antimony, maximum outside diameter .64 inches, to contain one extra pair; price, $112.00 per M feet", that is per thousand feet.

[fol. 4127] "50 pair No. 22 A.W.G."—which means American Wire Gauge—"single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .075 inches, lead containing one per cent antimony, maximum outside diameter .81 inches, to contain one extra pair, $166.00 per M feet net."

"100 pair No. 22 A.W.G. single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .085 inches, lead containing one per cent antimony, maximum outside diameter 1.08 inches, to contain one extra pair, price, $275.00 per M. feet net."

"200 pair No. 22 A.W.G. single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .095 inches, lead containing one per cent antimony, maximum outside diameter 1.44 inches, to contain two extra pairs, price, $467.00 per M feet net."

Mr. Turner: May the record show this is all read in, to save us some time?

Mr. Burr: And the stenographer will copy it in the record?

Mr. Turner: Yes, and the stenographer will copy it in the record as read; is that satisfactory to the Commission?

Chairman Klinger: Yes.

And thereupon the remainder of the letter above refer-[fol. 4128] red to is herewith copied into the record, as per the foregoing stipulation and agreement, and is in the words and figures following, towit:

"300 pair No. 22 A.W.G. single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .105

inches, lead containing one per cent antimony, maximum outside diameter, 1.74 inches, to contain three extra pairs, price, $662.00 per M. feet net."

"600 pair No. 22 A.W.G. single wrap dry paper telephone cable, .079 mf. average mutual electrostatic capacity, coded, insulation resistance 500 megohms per mile, .125 inches, lead containing one per cent antimony, maximum outside diameter 2.37 inches, to contain six extra pairs, price, $1202.00 per M. feet net."

Q. Go right to the notation on the bottom of the letter then.

A. This letter quotes prices on 25, 50, 100, 200, 300 and 600 pair cable and contains the following statements:

"This cable is based on the copper, lead and antimony weights as given to us and is also figured on copper 13.55 cents per pound, lead 8 cents per pound, and antimony 17 cents per pound.

"Terms and conditions printed on the reverse side of this letter and on Form 570-D attached, constitute a part of this quotation.

"Terms: Net cash within 30 days from date of shipment; discount for cash within ten days one-half of one per [fol. 4129] cent.

"Delivery: F. O. B. our factory, carload freight allowed to Columbus, Ohio.

"By naming these prices we do not agree to accept any responsibility for their use or obligate ourselves in any way to supply the cables involved at such prices.

"Thanking you for the inquiry, we are,

Yours very truly, Standard Underground Cable Company, Arthur A. Anderson, Manager, Central Sales Department."

Q. What was the date of that letter?

A. The letter is dated October 14th, 1927.

Q. And quoted prices as of June 30th, 1925?

A. Yes, sir.

Mr. Burr: We desire also the matter contained on the reverse side of the letter be made a part of the record, including the attachments referred to in the letter.

Mr. Turner: That is all right.

And thereupon the data appearing on the back of the first sheet of the foregoing letter is herewith copied into the record and is in the words and figures following, towit:

"Terms and Conditions

1. Prices are net without discount, rebate or reduction.

2. Quotations are for immediate acceptance only, and subject to change without notice.

[fol. 4130] 3. Agreements are contingent upon strikes, accidents, or other causes beyond our control.

4. Material in stock is offered subject to prior sale.

5. Shipping promises count from receipt at factory of full manufacturing details; they are based upon present expectations but are not guaranteed.

6. Sales are made F. O. B. shipping factory. Where terms of sale include freight allowance, credit for same will be given upon receipt by us of original receipted freight bill.

7. All orders and contracts are subject to approval and acceptance by our Home Office at Pittsburgh, Pa. If credit relations are desired and have not been already established it will frequently save some unavoidable delay if references or financial showings are furnished.

8. Interest charged at the rate of 6% per annum after 30 days from date of invoice.

9. Empty reels will be credited to the original purchaser at the price charged and paid, less transportation charges, if returned in good order within six months, as below directed. If slats are not returned, a deduction will be made. Return reels (unless otherwise directed) to the factory from which shipment was made.

To Pittsburgh, Pa., route via Pennsylvania Railroad.

To Perth Amboy, N. J., route via Lehigh Valley Railroad.

To Emeryville, Calif., route via Southern Pacific Company.

[fol. 4131] To St. Louis, Mo., route shipments of 8,000 lbs., or over, via West Belt of St. Louis Merchants Bridge Terminal Railway, and shipments of less than 8,000 lbs. via any route terminating in St. Louis.

10. All our products are carefully inspected before shipment, and shipping packages are receipted for by carrier in good condition. Should any of it on delivery prove defective in manufacture or not as ordered, we will take it back or replace it F. O. B. our shipping factory, but we

cannot allow any claim for expense in installing or using the same.

11. In case of injury by the carrier, we will, if desired, make claim on behalf of our customers, provided we are supplied with the necessary data to substantiate the claim.

12. Material not ordered forward by the purchaser as agreed must, at our option, either be paid for as if shipped upon the expiration date of the period within which it was to have been taken, or contract cancelled on terms and conditions which will fully indemnify us against all losses. Where no other delivery is provided for in the contract, three months from date of receipt of order is understood.

13. Unless assented to by us in writing, no terms or conditions at variance with or in addition to those indicated herein shall apply to any transaction resulting from this quotation.

Form D 808."

[fol. 4132] And thereupon the document attached to said letter and referred to as "Form 570-D" is herewith copied into the record and is in the words and figures following, towit: "Form 570-D 50M-8-25.

Notice

In order to avoid possible misunderstandings

Quotations Subject to Change

Please note paragraphs on the back of first page of quotation form attached, particularly that one reading, "All quotations are for immediate acceptance only and subject to change without notice.

Orders Uncancellable

It is a necessary condition of any order booked with us, that the buyer shall take the material ordered even though prices should decline and conditions change. On the other hand, we shall abide by our agreement to supply the material even though prices go higher. Since we must protect ourselves by actual uncancellable purchases of raw materials it will be impossible to accept cancellation of orders except on terms and conditions which, in our judgment, will fully indemnify us for all losses.

Shipments Not Guaranteed

Shipping promises are made in accordance with present expectations of our ability to fulfill them, and every effort will be made to do so. However, they are not guaranteed.

Unless assented to by us in writing, no terms or conditions at variance with or in addition to those indicated herein and in the accompanying letter shall apply to any transaction resulting from this quotation."

[fol. 4133] Q. Have you anything else on cable?

A. Yes, sir. I would like to explain, Mr. Turner, here a statement made in this letter that was just read, "This cable is based on the copper, lead and antimony weights as given to us"; the copper, lead and antimony weights and the cable specifications were supplied by myself and are the Western Electric specifications for these various types of cables as furnished me by The Ohio Bell Telephone Company.

Also, it says "And is also figured on copper 13.55 cents per pound, lead eight cents per pound and antimony 17 cents per pound".

Q. What do you know about the price of lead, copper and antimony at that time?

A. I was just going to refer to that, Mr. Turner. I have before me another letter, which in fact is a letter signed by Mr. Arthur A. Anderson, Manager of the Central Sales Department, Standard Underground Cable Company, in which he says:

"As of June 30th, 1925, giving copper 15⅛", which I interpret to mean wire base instead of bar price, "You were to advise me whether the lead sheath was plain or was alloy with tin or antimony. Your letter received yesterday did not give the information required. As a matter of record for you, the price of metals on June 30th, 1925, was, copper wire bars 13.55 per pound, lead 8 cents, antimony 17 cents, tin 57⅛ cents.

"Please let me have this information as soon as possible so that I may get things under way."

That refers to the pricing or furnishing of this list of [fol. 4134] prices.

Q. Now do you have any other prices on cable?

A. I do not. The prices quoted by The Standard Underground Cable Company are the prices on 19, 20, 22 and 24 gauge cable, being usual and ordinary cable sizes.

There are many different sizes of cable in this inventory; many more different sizes of cable than upon which prices were quoted by The Standard Underground Cable Company.

In erecting my unit prices for cable I used the quotations of The Standard Underground Cable Company, from which was deducted one-half of one per cent, as stated in its quotation but there being many cables in the inventory of sizes not quoted by the factory, I was obliged to compute these prices from the base information here given by interpolations and extirpolations, which was done, and in doing so I added one-half of one per cent for variations in calculating prices. So that effectively the prices that I used in my unit prices are in fact the prices of The Standard Underground Cable Company as quoted, without the deduction of the one-half of one per cent.

The method that I followed in computing prices by interpolation and extirpolation and the determination of prices of cable not quoted directly was generally the same as the process followed by the Company in making up its cable prices, with this difference, however, that the methods and process that I used was very much more exact and a very much better system.

As I understand the explanation given by the engineers [fol. 4135] of the Telephone Company as to the method that they used in computing these cable prices or the prices of cable not quoted, they employed a factor which was produced by a comparison of copper content of cables which they claimed produced prices of other sizes of cables that are constant and consistent with the prices they would be quoted for those cables by The Western Electric Company. Whether that may be so or not is of no consequence so far as the methods that I employed are concerned. The methods employed by myself in making these interpolations and extirpolations in computing the prices of cables, the prices of which were not quoted in these quotations, were by taking into account the weight of copper, the weight of lead, the weight of paper, and converting these metal weights into price functions.

Q. You said "metal weights"; did you include paper weights too?

A. Yes, sir, in cable pricing we consider that as metal weights.

Q. All right.

A. The process that I used in making these interpolations and extirpolations is identically the process followed by the cost department of cable factories in making up quotations of cable.

Chairman Klinger: Just for information, do you mean to include tin and antimony too, as well as paper?

The Witness: Yes, sir, where tin and antimony is present, that is taken into account.

[fol. 4136] By Mr. Turner:

Q. Have you anything further on cable?

A. Not at this time, Mr. Turner, no, sir.

And thereupon a recess was taken until 1:30 o'clock p. m. of same day.

[fol. 4137] Afternoon Session

Wednesday, March 21st, 1928.

And also HARRY R. ALLENSWORTH, resuming the stand for further examination in chief, having been heretofore duly sworn, continued his testimony as follows:

Examined by Mr. Turner:

Q. Mr. Allensworth, I wish you would proceed now with other materials and give us the source of prices upon which your reproduction cost of the outside plant was based?

A. There is one item of material that enters into cable construction quite extensively and that is lead pipe; lead pipe — known in the telephone business as sleeve; sometimes known as cable sleeve or splicing sleeve. Lead sleeving as used in the splicing of telephone cables is in fact lead pipe. The prices that I have used in my reproduction cost as the price of lead pipe or lead sleeves is the market price of lead pipe as of June 30th, 1925.

The price that I used for lead pipe is not a quotation direct from a dealer or manufacturer; it is, in fact, a price determined by following a known trade practice in the figuring of the price of lead pipe as such lead pipe is priced and sold in Columbus.

To explain in detail, the price of lead, that is, pig lead, [fol. 4138] is taken from the American Metal Market statistics; that is the price as of June 30th, 1925; the price of pig lead at St. Louis or in the St. Louis market; the

freight on lead from St. Louis to Cincinnati is added; $1.00 per hundred pounds is added as a handling charge; freight from Cincinnati to Columbus is added and the dealer's margin is added, which produces the price of lead pipe upon which the lead pipe is priced in my unit prices.

The same procedure is followed in the case of solder, solder being used very extensively in splicing these telephone cables; that is to say, the price of tin at New York on June 30, 1925, is taken from the American Metal Market statistics; the freight on pig tin from New York to Cincinnati is added; the price of lead at St. Louis; the freight on lead from St. Louis to Cincinnati, and the freight then on the product or the lead and tin melted and run into solder pigs is added; that is the freight from Cincinnati to Columbus and again the dealer's margin is added to this price.

In both cases the amount added as a dealer's margin is more than the dealers ordinarily take as a margin on sales of lead pipe in Columbus.

And I will explain for the benefit of the Commission and for the benefit of the record that the City of Columbus is a large purchaser of lead pipe. The records of the purchasing department of the City of Columbus are open to anybody. The price of metals may be readily determined by anybody and it can very readily be determined that [fol. 4139] large shipments of lead pipe have been sold to the City of Columbus on a dealer's margin of less than one per cent. However, in determining the price of lead pipe that I used in my appraisal I have allowed a dealer's margin of one per cent.

Mr. Burr: Is that the dealer's margin of profit?
The Witness: That is the dealer's margin, yes, sir.

By Mr. Turner:

Q. Is this the customary——
A. That is customary, yes, sir, referring——

Mr. Burr: Mr. Allensworth, do I understand you to say that a profit is customary in respect of the dealers who handle this commodity, or that a profit of one per cent is the customary profit to dealers who handle the commodity?

The Witness: I did not say either, Mr. Burr. What I said was that large quantities of lead pipe are sold and

the margin to the dealer is less than one per cent, and by "dealer" I am referring to jobbing houses.

Mr. Burr: Will you read Mr. Allensworth's previous answer?

(Answer read.)

Mr. Burr: What I was trying to bring out by the witness is this; the Attorney General asked you this question: "Is that customary?" The witness answered in the affirmative. I want to know what the witness means is customary in so answering the Attorney General's question.

The Witness: Mr. Burr, I interpreted the Attorney General's question to mean, is the method you have pursued [fol. 4140] in determining these prices customary, and my answer is in the affirmative. Now, if I have misunderstood the Attorney General's question, I would be very pleased to correct it.

Mr. Turner: The Attorney General's question was not complete when you answered, and that is the reason that we have all that explanation. I understand it now and I think the record shows it clearly, and unless Mr. Burr wants to ask something further, I have no further questions on that, so you may proceed.

A. Discussing now the prices that I have used for conduit, I have before me a letter, on the stationery of The National Fire Proofing Company, Pittsburgh, Pennsylvania, July 23, 1927, addressed to Mr. H. R. Allensworth, Consulting Engineer, 506 Chamber of Commerce Building, Columbus, Ohio.

"Dear Sir:

Replying to your letter of July 20, we enclose herewith prices on stock sizes of Natco conduit as of today, as well as of June 30, 1925, f. o. b. Columbus, Ohio.

Yours very truly, L. M. Christie, Manager Clay Conduit Division."

The signature is somewhat obscure and I have not been able to decipher it myself. If anybody wishes to look at it I would be very glad to have them examine it.

Mr. Turner: It looks like L. M. Christie to me.

Mr. Burr: We won't quarrel over the name.

Mr. Turner: Call him Christie then.

Q. Before you proceed, how does Natco conduit com-

[fol. 4141] pare with the conduit used by the Company in this case?

A. As I understand it, it is the same product. I don't know of any difference in conduit tile and I believe that The Bell Telephone Company purchased more or less conduit from this National Fire Proofing Company.

Mr. Burr: Do you state that as a fact?

The Witness: No, sir, I do not. I state that merely as a belief or impression of mine.

Q. Go ahead then with any further data you have?

A. Attached to that letter is the standard quotation form of The National Fire Proofing Company, the Quotation Number being 3059, dated July 23rd, 1927, addressed to Mr. H. R. Allensworth, Consulting Engineer, 506 Chamber of Commerce Building, Columbus, Ohio.

"We are pleased to quote you the following prices on Natco Clay Conduit:

"Natco single duct conduit, 3¼" round bore standard 9 cents per duct foot.

3½ inch round bore 11¼ cents per duct foot;

3¼ inch square bore 11¼ cents per duct foot.

2 duct conduit, 3¼ inch square bore, standard 11¼ cents per duct foot;

3 duct conduit, the same;

4 duct conduit, 9 cents per duct foot;

6 duct conduit, 9 cents per duct foot;

9 duct conduit, 11¼ cents per duct foot;

3½ inch square bore, 11¼ cents per duct foot; that is two duct conduit.

[fol. 4142] 3 duct conduit, 3½ inch square bore, 11¼ cents per duct foot;

4 duct conduit, 9 cents;

6 duct conduit, 9 cents."

Continuing: "Short Pieces—Unless otherwise specified, short pieces 12" long and over, take the same price per duct foot as standard lengths of the same section, but short pieces under 12" long, take the same price per piece as a 12" length of the same section.

"The above prices are for material F. O. B. cars our works, with freight allowed in carloads to Columbus, Ohio. (Minimum carload 60,000 pounds.)

"Terms: All quotations are net thirty days. Freight allowance, to be made upon receipt of paid freight bills.

Prices subject to change without prior notice. All orders accepted subject to the approval of Credit Department. Remarks: As of June 30th, 1925. It is understood that the "General Conditions" printed on the reverse side of this form are considered a part of this quotation and shall be binding on both shipper and purchaser."

Then there is the usual form at the bottom for the customer's acceptance, etc., and it is signed again by L. M. Christie, Clay Conduit Division.

Mr. Burr: We would like to have copies of all these letters and quotations.

Mr. Turner: All right.

Q. Proceed, Mr. Allensworth.

[fol. 4143] A. The prices I used as my reproduction cost for iron wire, pole line hardware, anchors and miscellaneous outside plant equipment are quotations from The Erner & Hopkins branch of The Lake States Electric Company, which quotayions are as of June 30, 1925. These quotations come to me in the usual form; that is to say, they are all in memorandum form. That is quite customary trade practice in the electrical supply business. There are a great many, a large number of sheets here of detail, covered with the prices of this miscellaneous equipment. I will read some of them.

Q. You better read them all, hadn't you—wait a minute; can't you make up in the form of a statement the ones that you used of that particular paper; in other words, the items that you used as the basis of your costs?

A. I don't know just exactly what you mean by that question, Mr. Turner. The prices quoted are the prices I used.

Q. All of them; did you use all of them? If so, we want them all in the record; that is all.

A. I used all of them with very few exceptions.

Q. Go ahead then.

Commissioner Maullar: Couldn't that be put in the record in the form of an exhibit?

Mr. Turner: I think so, if it suits the other side.

Mr. Burr: Just so we get it and it is made part of the record.

Mr. Turner: All right.

Commissioner Maullar: It seems to me it would save a lot of detail.

[fol. 4144] Mr. Turner: That will be marked as Allensworth's Exhibit 5-A, and Mr. Okey can make it up if you tell him which ones to eliminate.

The Witness: I shall be pleased to make up a copy of this and submit it as Allensworth's Exhibit 5-A.

Mr. Turner: Mr. Burr, this exhibit that is going to be made up as Allensworth's Exhibit 5-A is a list of prices, as I am informed, that was taken off of the records of invoices of The Erner & Hopkins Company, and it might be a technical procedure for us to call the men from The Erner & Hopkins Company to prove all these prices. I don't want to get in the position of being just a step away on the question of hearsay or anything of that sort.

Mr. Burr: What we want to know, Mr. Turner—and if the information can be furnished without the cross-examination of the representatives of The Erner & Hopkins Company we will be glad to accomodate you in that respect; but what we want to know, I say, is this; the form of Mr. Allensworth's request for information from The Erner & Hopkins Company and whether in that there were any specifications; if there were, how nearly, if at all, the specifications conform to the specifications for the corresponding property actually found in the plant of The Ohio Bell Telephone Company.

Mr. Turner: That is all reasonable. We just don't want to be caught after a cross-examination with a matter here that we should have proceeded with a little differently by bringing the Erner & Hopkins employes. This was taken [fol. 4145] off of the records by an Erner & Hopkins employe and handed to Mr. Allensworth.

Mr. Burr: We do not question the fact that he did that, and so far as I now know we won't even question the correctness or authenticity of the figures.

Mr. Turner: We want you to have an opportunity to go into it and will cooperate to that end.

Mr. Burr: That is all right.

By Mr. Turner:

Q. What other price data have you?

A. The price for twisted pair used in my appraisal, that is, twisted pair copper clad wire, so-called, is a quotation from The Standard Underground Cable Company as of June 30, 1925. I haven't that letter before me at the

moment. I think it is in the bunch of letters I handed to Mr. Okey before recess, this noon.

Q. Proceed, if you are ready.

A. I now have before me the letter from The Standard Underground Cable Company, dated Pittsburgh, Pennsylvania, August 29, 1927, the Company's file number being 4314, addressed to H. R. Allensworth, 515 Chamber of Commerce Building, Columbus, Ohio.

"Gentlemen: We quote you as follows on material made up as indicated, subject to the terms and conditions mentioned on the back hereof, except as hereinafter modified. 100,000 foot quantities or more:

Twisted pair No. 17 A. W. G. C. C. C. each wire insulated to a diameter of 7/64 inch, No Test rubber, weather-proof braid, telephone drop wire, $9.70 per M. feet net.

[fol. 4146] "Ditto, but No Test rubber to a diameter of .120 inch, $10.45 per M. feet net.

"Ditto, but 100 megohm test rubber to a diameter of .120 inch, $11.80 per M. feet net.

Terms and conditions printed on the reverse side of this letter and on Form 570-D attached, constitute a part of this quotation.

Terms: Net cash within 30 days from date of shipmeny; discount for cash within ten days ½ of 1%.

Delivery: F. O. B. our factory, freight allowed to Columbus, Ohio.

Thanking you for the inquiry, we are,

Yours very truly, Standard Underground Cable Company, Arthur A. Anderson, Manager, Central Sales Dept."

I belie*f*e in reading this letter that I inadvertently omitted reading the notation there titled "Quantity and Price"; following that title is the following wording: "Estimating Prices as of June 30, 1925."

Referring now to this letter, there are three items listed thereon, the first one being 17 copper clad wire, with a given rubber insulation; the second being 17 gauge copper clad wire, a different rubber insulation; the third item being copper clad wire with a 100 megohm test rubber to a diameter of .120.

That particular wire conforms in every respect to the standard specifications of The American Telephone & [fol. 4147] Telegraph Company. In fact, it is just a little

bit higher grade wire as to insulation resistance than is required by the A. T. & T. standard specifications, for this reason; this guarantee is 100 megohms per mile; the A. T. & T. specifications require 5000 megohms per thousand feet —or I should say 500 megohms per thousand feet; this wire would show 528 megohms per thousand feet. The insulation resistance—or pardon me—the thickness of the rubber and the other characteristics conform to the A. T. & T. specifications.

Mr. Burr: Which ones did you use?

The Witness: I used the last one, of course, the higher priced one.

By Mr. Turner:

Q. Have you any further data there on prices?

A. I have no further discussion of material prices at this time, no, sir.

Q. Then take up the item of "Supply Expense" there on page 1 of Exhibit 5.

A. Referring to page 1 of Exhibit 5, this collation reveals that the amount included in the Company's alleged reproduction cost for the item "Supply Expense" is $1,281,736.25. The Company's computations from which it produces this amount has been explained heretofore in my testimony.

The amount included in my reproduction cost for this item, that is, $1,029,487.33, is less than the Company's alleged amount for supply expense to the amount of $252,248.92.

Th Company includes in its total amount of supply expense, in round numbers, $140,000.00 to cover what the Com-
[fol. 4148] pany denominates depreciation and shrinkage of the supply account.

Deducting this $140,000.00 from the Company's alleged supply expense leaves $1,141,736.25.

The difference between this amount and the amount included in my reproduction cost for the item "Supply Expense" becomes $112,248.92. This difference is due, first, to the fact that the total material base to which my factor for supply expense is applied is less than the Company's, and, second, to the fact that the Company used a factor of four percent for supply expense, whereas I used a factor of 3.5 per cent, which is in my judgment the correct ratio to use.

As before stated, the Company includes in its alleged supply expense the amount $140,000.00 for what they allege to be an allowance for depreciation and shrinkage of the supply account. Presumedly, at least, this is the Company's attempt at the construction material cost ordinarily known as breakage, loss and waste.

There is no allowance in my supply expense for breakage, loss and waste. There is, however, a proper allowance for this item in my various units and the total amount included in my reproduction cost for the item Breakage, Loss and Waste, is $88,349.73.

Q. At that point I want to know if this is a correct interpretation of your figures, that whereas the Company has taken $140,000.00 as depreciation and shrinkage of the supply account, you have allowed $88,349.73 for breakage, loss and waste?

A. That is correct, yes, sir.

[fol. 4149] Q. All right; proceed then.

A. Before leaving the subject of supply expense, permit me to explain that in ordinary accounting it is customary and I believe a very proper practice to express the cost of handling materials and supplies, which cost is ordinarily known as supply expense, in terms of a ratio of the amount of material handled, or in terms of the price—the dollars amount of material handled. This procedure, while being undoubtedly a very good accounting procedure, leads to a very grave misunderstanding as to what supply expense is, and the usual error that follows is the general acceptance of the idea that supply expense is of itself a function of material cost, whereas this is not true, and of course cannot be true in ordinary circumstances.

To illustrate, with a given supply expense, a fairly fixed amount, and a certain amount of material handled per month or per year, if the price of these materials were doubled, it would not double the cost of handling that material; the supply expense would not increase in amount. The fact is, that the supply expense ratio would be cut in half. It too oftentimes occurs in appraisal work that supply expense as such is conceived and considered in that way, that an increase in material handled, or an increase of the amount of material handled, or an increase in the price of material handled, would create a proportionate increase in the supply expense, which, as I have stated, is not true. And, with the explanation, I wish to direct attention

to the fact that the amount contained in my reproduction [fol. 4150] cost for supply expense is $1,029,487.33. On the basis of a five year construction period; this would equal $205,897.00 per year.

The analysis of the Company's supply expense accounts for the two years 1923 and 1924 reveals supply expense upon which it basis its supply expense burden for the purpose of the appraisal $331,724.00 for the two years, or $165,862.00 per year.

Q. Right at that point, what percentage is that?

A. The Company converts that into a percentage and makes actually 3.6 per cent of the amount of material handled during that term, but they use a four per cent factor.

Q. Go ahead.

A. The Company's analysis for these two years shows materials disbursed to the amount of $4,852,552.00 per year. On the basis of a five year period my reproduction cost produces material to be handled per year $5,900,000.00.

Q. Let me understand that. If you had used that factor, 3½ per cent, you would have in round numbers $1,100,000.00 more material handled in the same period of time; is that correct?

A. I do not understand that question.

(Question read.)

A. Substantially so, yes, sir.

Q. Now let us go to the "Total Material Cost" next.

A. The next item appearing on page 1 is "Total Material Cost". The amount contained in the Company's alleged reproduction cost for the item "Total Material" is [fol. 4151] $32,562,297.56.

The amount contained in my reproduction cost for this item is $30,544,541.97.

The amount of excess in the Company's alleged reproduction cost for the item "Total Material Cost" is $2,017,755.59, and, if the omissions and breakage, loss and waste in my material items, be taken into account, this difference becomes $2,121,278.79.

Explanation of the amounts producing this total difference in material costs has been heretofore made.

Q. Now proceed to "Direct Labor", explaining what is embraced in the item, and the reasons for the Company's

reproduction cost and your reproduction cost for this item.

A. Direct Labor, as the term is used in this collation, is payroll labor, construction labor cost revealed in the payroll of construction gang labor up to and including gang foreman.

In accordance with the accounting method used by the Company all construction labor expenditures are loaded with what the Company sets up as its No. 711 account, which is a clearing or suspense account.

To this account is charged all expense of the Company's so-called District Plant Supervision Department. The No. 711 account is currently spread onto construction and maintenance by appropriate debits and credits and amounts thus charged to construction are included in the Company's labor costs upon which is erected the alleged labor costs included in the Company's reproduction cost.

[fol. 4152] These charges if admissible as such in any reproduction cost statement are properly a supervision charge and in my analysis of the Company's reproduction cost I have removed the amounts thereof from the Company's alleged labor cost and transferred them to the specific item set up by the Company as alleged "Plant Supervision".

The amount included in the Company's alleged reproduction cost for the item "Direct Labor", as the term Direct Labor is here defined, is $18,198,357.14.

This amount is said by the Company to be based upon performance and costs actually encountered in its construction experience, revised to conform to the wage scale in force as of the date certain of its alleged reproduction cost statement.

The amount included in my reproduction cost for the item "Direct Labor" is $9,288,654.26.

This amount is the amount of direct labor cost that would be incurred in reproducing the outside plant property of The Ohio Bell Telephone Company as of June 30, 1925, in accordance with wage rates prevailing as of that date in the territory in which this property is located; labor performance based upon experience and under conditions actually encountered in the construction of this property.

In the determination of my labor costs a customary and efficient gang is determined and performance applied which experience has shown could reasonably be accomplished under conditions encountered in this state after a liberal

allowance for such interruptions and other contingencies [fol. 4153] as are encountered in telephone construction work.

Q. Right at that point, you have unit price data available so that if it is wanted here it can be furnished?

A. Yes, sir.

Q. All right.

A. The difference between the amount included in the Company's alleged reproduction cost for the item "Direct Labor", $18,198,357.14, and the amount included in my reproduction cost for the same item, $9,288,654.26, is $8,909,702.88.

Both the Company's reproduction cost and my reproduction cost being produced from identical inventory quantities and labor costs in both being based on wage rates prevailing as of June 30, 1925, this difference in direct labor cost must necessarily be caused largely by the low performance or effectiveness of labor which produces the alleged labor cost of the Company as compared with the reasonable labor performance upon which my labor costs are erected.

Mr. Burr: You conclude that is true, of course?

The Witness: I intend to prove that is true, Mr. Burr.

Mr. Burr: I did not ask you that. I asked you whether you did not conclude that is true?

The Witness: And I answered you by saying "I am going to prove that is true."

Mr. Burr: You have not answered my question, but I won't ask it again.

The Witness: Continuing where I was when interrupted, the wage rates I used in my reproduction cost are wage [fol. 4154] rates paid by The Ohio Bell Telephone Company as of June 30, 1925, as shown by the records of The Public Utilities Commission of Ohio.

Labor performance as here used means the amount of effective labor performed per man per day as measured by accomplishment of construction gangs divided by the number of productive workmen employed on the work. On properly supervised work the size of the gang may vary within reasonable limits without affecting the average man day performance.

Q. You have referred to low performance or effectiveness of labor as being one of the elements contributing to

the difference in the Company's reproduction cost and your reproduction cost of outside plant. Can you give the Commission some comparisons which will illistrate the existence and effect of this element?

A. I can.

Q. Proceed.

A. In the Company's inventory it appears that there are 422,142½ exchange poles——

Q. Right at that point, how do you get the "½"; just explain that?

A. The Company's explanation of that is that there are partial ownerships of poles.

Q. Those are not your figures?

A. Not my figures; that is the Company's figure.

Q. Go ahead.

A. And in addition to these 422,142½ exchange poles there are 231,956 toll poles, a total of 645,098½ poles, in its outside plant property. The weighted average size of these poles would be, according to the Company's inventory, practically 28.5 feet long, or something less than a 30 [fol. 4155] foot Class C pole.

The average size pole hole required to erect these 645,098.5 poles would be approximately 18 inches diameter and five feet four inches deep.

Direct Labor Cost for pole work in my reproduction cost requires a digging performance of these average size holes of 4 1/6 holes per day per man, which performance is generously low to provide for lost time in moving, etc., and other contingencies.

To support the amounts contained in the Company's alleged reproduction cost for pole work the digging performance on these average size holes could be only 1 84/100, less than two holes per man per day.

The labor performance upon which my pole labor costs are erected would require a digging performance on these average size holes of 2 feet 9½ inches, or 33½ inches, per man per hour, whereas the Company's direct labor cost for pole work can be supported only by a digging performance on these average size holes of only 15 inches per man per hour.

However, after having computed its alleged labor cost for poles, the company deducts from its labor cost of each pole 85 cents for the difference in cost that it alleges would result from the use of a hole digging machine.

If it be assumed that all of these pole holes were to be dug by a hole digging machine the reduction of the Company's alleged labor cost would be from $1.50 to $1.60 per hole, and not 85 cents per pole as alleged by the Com-
[fol. 4156] pany.

Many other similar comparisons may be made between the labor performance that would be required to support the Company's labor cost and the labor performance upon which my unit costs are erected.

Mr. Burr: May I interrupt long enough to ask you whether you will give us the details upon which your estimate in respect of the reduction for hole digging machines is raised from 85 cents to $1.50?

The Witness: Yes, sir, that is all available.

Mr. Burr: And we may have it?

The Witness: Yes, sir.

Mr. Burr: We are going to make a very general request for information before we get through with the hearing, and I just wanted to make sure that when we make the requeet, such items as the one just referred to will be included in it.

Mr. Turner: I asked him the question awhile ago whether all his unit price data was available and he said it was.

Mr. Burr: This is just a little bit different from a unit cost.

Mr. Turner: Well, "Unit price data", and I thought I covered everything by that.

Mr. Burr: All right.

By Mr. Turner:

Q. Have you other illustrations?

A. Pardon me, I had not completed the statement I was making.

[fol. 4157] Q. Pardon me; proceed.

A. Going back and repeating a part of my statement, so that it will appear continuous in the record; many other similar comparisons may be made between the labor performance that would be required to support the Company's labor cost and the labor performance upon which my unit costs are erected; and, similarly, in other instances, it would be revealed that the Company's labor costs are unreasonably high.

Q. If you are through with that for the present, let us take up the item "Labor on Miscellaneous Material", on page 1 of Exhibit 5.

A. The next item appearing on page 1 of Exhibit 5 is opposite the title "Labor on Miscellaneous Material", and I think I have explained heretofore in my testimony what this item "Miscellaneous Material" is, and will not go into a further explanation at this time, unless such further explanation is requested.

The amount included in the Company's alleged reproduction cost for the item "Labor on Miscellaneous Material", that is $1,583,929.96, is in excess of the amount contained in my reproduction cost for this item, $1,223,708.79, to the amount of $360,221.17.

The explanation of the difference between the Company's alleged direct labor and my direct labor applies to this amount $360,221.17, the difference between the two statements for the item "Labor on Miscellaneous Material".

Q. Now take up the item "Stable and Garage", which is next?

A. The next item appearing on page 1 of this Exhibit 5 is "Stable and Garage".

[fol. 4158] The Company claims that the amount included in its alleged reproduction cost for the item "Stable and Garage", $2,128,577.44, is produced by converting the amount of its stable and garage charged to construction over a test period to a ratio of labor, including its No. 711 account, charged to construction during the same period and then using this ratio against the amounts set up as labor in its alleged unit costs to produce the amount it includes for this item in its total unit costs.

The amount included in my reproduction cost for this item $1,317,710.18 is produced by making an allowance in my unit costs for the cost of trucks used in construction accompanying gangs, the operating cost of such equipment being based upon the Company's reported cost of operating motor vehicle equipment and also further allowance for motor vehicle equipment employed in the transportation and delivery of materials in which latter case the cost is based upon the price commonly bid by trucking contractors for this kind of hauling.

The difference between the amount included in the Company's alleged reproduction cost statement for the item "Stable and Garage", that is, $2,128,577.44, and the amount

included in my reproduction cost for the same item, namely, $1,317,710.18, amounts to $810,867.26.

However, in addition to the amount here set forth as the amount included in my unit costs for the item "Stable and Garage" there is in addition thereto stable and garage amounts in various units ehich amounts are not brought forward into this total so that were all of the stable and [fol. 4159] garage amounts brought forward the amount appearing on this page as the amount included in my reproduction cost for this item, $1,317,710.18, would be somewhat increased and the difference between this amount and the amount included in the Company's alleged reproduction cost for the same item, $2,128,577.44, which difference is shown as $810,867.26 would be reduced to a considerable amount.

Q. Now take the next item "Labor measuring and Surveying Lines".

Mr. Burr: Just before you ask that; how much would that item be reduced, Mr. Allensworth, if you please, and why didn't you bring it forward with the rest of your stable and garage figures?

The Witness: I did not bring it forward with the rest of these amounts because of the press of time. I did not have the time to make the analysis. But answering your question, Mr. Burr, the difference, this total difference shown, would be reduced by $275,458.83, because of underground conduit alone.

Mr. Burr: We really ought to know the entire amount of the deduction in respect of stable and garage equipment in order that we can make a direct comparison between your alleged amount and ours. May we have that?

The Witness: Well, you have to ask the Attorney General. That is quite an undertaking and will take quite a lot of time and labor.

Commissioner Huffman: Does that allowance for stable and garage, that is either items, sufficiently appear that it [fol. 4160] can be discovered?

The Witness: Yes, it specifically appears in each unit price and the amount thereof in each unit price.

Mr. Burr: We will undertake to find it ourselves first before asking anything further.

Mr. Turner: If it is not in the unit price data then come back to us.

Q. Now proceed to the next item, that is "Labor Measuring and Surveying Lines".

A. The Company includes in its alleged reproduction cost the item "Measuring and Surveying Lines". This item in the Company's set up is an addition of $1.50 per pole or $60.00 per mile of toll pole line. Separating from the total amount added, namely, $348,133.00, supervision, incidental expense and tool expense on the Company's basis of charges for these items, leaves as labor for measuring and surveying lines the amount here shown $212,355.58.

Such addition has no basis of fact because it is undoubtedly true that of the total mileage of toll pole lines owned by this Company very little, if any, extra cost forr measuring and surveying as contemplated by the Company in its addition for this alleged item has ever been encountered.

There is included in my reproduction cost the amount $42,467.77, which is labor cost of measuring and stencilling pole lines for transpositions and loading.

The difference between the amount included in the Company's alleged reproduction cost for the item "Measuring [fol. 4161] and Surveying", that is, $212,355.58, and the amount included in my reproduction cost for measuring and stencilling, $42,467.77, which difference amounts to $169,887.81, is, from the explanation that has gone before, the difference between two dissimilar amounts or two dissimilar items.

Q. Mr. Allensworth, this measuring and surveying of lines to which you have just been referring includes only the line on the highway, that is, the direct line; no laterals off to private houses or anything of the sort, if there be such?

A. No, sir, this is on toll pole lines.

Q. Toll pole lines?

A. Yes.

Q. Right along the road?

A. Yes, sir.

Q. Now let us proceed to the next item?

A. The next item appearing on page 1 of what has been marked Exhibit No. 5 is the "Total Labor Cost".

Q. "Total Direct Labor Cost", is it not?

A. Yes, sir.

Q. All right.

A. The sum of the amounts included in the Company's alleged reproduction cost for the items "Direct Labor",

"Labor on Miscellaneous Material", "Stable and Garage", and "Measuring and Surveying Lines" amounts to $22,123,220.12, and is the amount shown in this collation as "Total Direct Labor Cost".

The sum of the amounts included in my reproduction cost for these items totals $11,872,541.00.

The difference between these two amounts is as shown $10,250,679.12. An explanation of the amount producing this difference has been given heretofore.

[fol. 4162] Q. Now proceed with this next group of items on page 1 of Exhibit 5.

A. The next item on page 1 of Exhibit 5, "Total Incidental Expense", is construction expense not otherwise accounted for in unit cost detail and is a function of construction labor.

It is customary to express incidental expense as a ratio of payroll labor.

The amount included in the Company's alleged reproduction cost for the item "Incidental Expense" is $2,987,701.16.

The amount included in my reproduction cost for this item is $1,066,883.34.

The difference between the amount included in the Company's reproduction cost for this item and the amount included in my reproduction cost for the same item amounts to $1,920,817.82.

The amount included in my reproduction cost for the item "Incidental Expense", $1,066,883.34, is the amount that would cover all expense of this nature accruing during the construction of the outside plant of this Company.

The difference between the amount included in the Company's alleged reproduction cost for the item "Incidental Expense", namely, $2,987,701.16, and the amount included in my reproduction cost for this item, namely, $1,066,883.34, which difference amounts to $1,920,817.82, is due largely to the fact that the Company applies its ratio for Incidental Expense to an unreasonably large amount of direct labor cost thus producing the excessive amount for incidental [fol. 4163] expense here shown.

The ratios from which Incidental Expense in my reproduction cost is produced do not differ greatly from ratios used by the Company for this purpose.

Q. Proceed with the next item now, "Tool Expense".

A. The next item appearing on page 1 of what has been marked Exhibit No. 5 is "Total Tool Expense".

The amount included in the Company's alleged reproduction cost for Tool Expense is $587,093.70.

The amount included in my reproduction cost for this item is $237,468.81. The difference between these two amounts is $349,624.89.

The amount included in the Company's alleged reproduction cost for the item "Tool Expense" is said by the Company to be produced by converting the total charges to tool expense over a given period to a ratio of labor charged to construction during the same period and applying the ratio thus produced to its alleged labor in its unit costs. It develops, however, that in its accounting of tool expense the Company charges many items of tools and equipment to expense at the time of purchase. In other words, in the Company's scheme of accounting for this item, what would otherwise be tool investment is charged and absorbed as tool expense.

The amount included in my reproduction cost for the item "Tool Expense", $237,468.81, is the amount of expense incident to the use of tools and construction equipment it is known from experience would be incurred in telephone [fol. 4164] construction work, and investment in tools and construction equipment as such is not included. That is to say, that the amount of investment that would be used in this equipment is not included but a carrying charge on the investment is included.

The difference between the amount included for this item in the Company's alleged reproduction cost and the amount included in my reproduction cost for the same item, which difference amounts to $349,624.89, is due to the facts as just stated, and, further, to the fact that tool expense being a function of labor the Company applies its unreasonably high ratio for tool expense to an unreasonably large amount of labor.

Q. Now proceed with the next item, "Supervision Cost".

A. The next item appearing on page 1 of what has been marked Exhibit No. 5 is "Supervision Cost". The amount included in the Company's alleged reproduction cost for the item "Supervision" is $4,499,984.63. This amount is that amount included in the Company's alleged reproduction cost for "Plant Supervision" to which is transferred and added in this collation the Company's alleged District Plant Supervision Expense included in its alleged labor costs under the title "Account No. 711".

The amount included in my reproduction cost for the item "Supervision", $1,187,229.87, is the amount required to properly provide for adequate supervision of construction work and provides for general supervision between the construction gang supervision provided for in gang fore-
[fol. 4165] man, etc. and the general supervision otherwise provided for in my reproduction cost.

Referring to page 2 of this exhibit, it will be noted that the amount included in the Company's alleged reproduction cost of Exchange and Toll Pole Lines, Cross Arms, and Wire for the item "Supervision" as set forth in this collation is $2,715,176.44. On the basis of a five year construction period this amounts to $543,035.28 per year.

A five year construction period would require 16 properly organized construction crews working 219 days per year on exchange work and 7 properly organized construction crews working 216 days per year on toll work to complete the exchange and toll pole line, cross arm and wire construction, not including drop wires, or a total of 23 construction crews.

The amount included in the Company's reproduction cost for supervision on this class of plant per year of its construction period is the equivalent of more than one general foreman for each construction gang throughout the five year period in addition to gang foremen and sub-foremen.

The amount included in my reproduction cost for this item of Supervision of these classes of plant is $645,650.51, or, on the basis of a five year construction period, $129,130.10 per year, which is ample to provide for supervision of these 23 construction crews.

Comparisons between the amounts included in the Company's alleged reproduction cost for supervision in other classifications of plant with the amounts included in my [fol. 4166] reproduction cost for the same items will yield comparable differences.

Returning now to page 1 of this exhibit, the difference between the amount included in the Company's alleged reproduction cost for supervision and the amount included in my reproduction cost for the same item is $3,312,754.76, and is the excess amount contained in the Company's alleged reproduction cost for the item "Supervision".

Q. Proceed with the next item.

A. The next item appearing on this page "Total Labor Cost". The amount included in the Company's alleged re-

production cost for the item "Total Labor Cost" as set forth in this collation is $30,197,999.61. The amount included in my reproduction cost for the item "Total Labor Cost" is $14,364,123.02.

The difference between these two amounts, $15,833,876.59, is the sum of the differences in the various labor items, which differences have been heretofore explained.

Q. Proceed with the next item.

A. The next item appearing on page 1 of this Exhibit is titled "Adjustment". The item "Adjustment" is that amount in the Company's alleged reproduction cost produced by adjusting its alleged labor costs to the nearest ten cents or five cents, or some other even amount, and the amount thus produced is an unjustifiable addition to its otherwise excessive reproduction cost amounts.

There are no adjustments of this nature in my reproduction cost, hence the difference, $14,814.36.

[fol. 4167] Q. Take the next item, "Total Reproduction Cost".

A. The next item appearing on page 1 of what has been marked Exhibit No. 5 is "Total Reproduction Cost." The Total Reproduction Cost in the Company's alleged reproduction cost as set forth in this collation, that is, $62,775,111.53, is the sum of total material cost, total labor cost and adjustment.

The total reproduction cost in my reproduction cost as here set forth, that is, $44,908,664.99, is the sum of total material cost and total labor cost.

The difference between these two amounts, $17,866,446.54, is the sum of the differences in total material cost, total labor cost and adjustment.

Commissioner Maullar: Mr. Allensworth, upon that basis you find the total material cost of the Company about seven per cent too high?

The Witness: I have not converted it into per cent.

Commissioner Maullar: And the labor costs, total labor cost, 100 per cent; is that right?

The Witness: Yes, sir, that is approximately right; I have not converted it to percentages.

Commissioner Huffman: You do have an element of adjustment though in your reproduction cost there, do you not?

The Witness: In material, yes. If the Commissioner

please, that adjustment, however, in the material items is in no way comparable to this adjustment that the Company makes in its labor items.

[fol. 4168] Commissioner Huffman: You consider that sufficiently covered by the term "Material Cost", without making——

The Witness: How is that, Your Honor?

Commissioner Huffman: You consider that sufficiently covered by merely referring to it as "Material" then; you consider that the adjustment under "Material" is sufficiently included when you say that $44,908,664.99 is the total of material and labor?

The Witness: Yes, sir, that includes the adjustment.

Commissioner Huffman: That includes the adjustment for material?

The Witness: Yes, sir, it does.

By Mr. Turner:

Q. This last adjustment you spoke about; your item "Adjustment", $14,814.36, that was arrived at, was it not, by the Company in making the item even money?

A. Yes, sir.

Q. And it is not any other kind of an adjustment except making five cents or ten cents, as the case might be?

(No reply.)

Q. Let us go to "Paving Cut for Original Installation".

A. The next item appearing on page 1 of what has been marked Exhibit No. 5 is "Paving Cut for Original Installation".

The amount included in the Company's alleged reproduction cost for the item "Paving Cut for Original Installation of Conduit and Manholes" is $1,588,486.13, which amount is $152,523.91 in excess of the amount included in my repro-
[fol. 4169] duction cost for this item, namely, $1,435,962.22.

Prices for repaving and quantities are the same in both cases. The difference is due largely to the fact that in the Company's reproduction cost there is no allowance for the salvage value of the paving materials removed for purposes of excavation, whereas in my reproduction cost such allowance is made."

Q. In other words, in this item "Paving Cut for Original Installation", the only difference between you and the Company is due to the fact that the Company has allowed

nothing for salvage value of the paving taken up; is that correct?

A. Yes, sir; in fact, I may state along that line, Mr. Turner, that were it not for this question of the salvage value of the paving material, my cost of repaving would be just a little bit more than the Company's.

Q. All right; now take up the next item, or the final item on the page, "Total Outside Plant".

A. The last item appearing on page 1 of what has been marked Exhibit No. 5 is "Total Outside Plant".

By the term "Total Outside Plant" as used in this collation is meant the total reproduction cost of outside plant including interior block wires.

The Company's alleged total reproduction cost of property classifications comprised in outside plant as here defined, amounts to $64,363,597.66.

My total reproduction cost of these property classifications amounts to $46,344,627.21.

The difference between these two amounts, $18,018,970.45, [fol. 4170] is the amount of excess in the Company's reproduction cost, which excess amount is the sum total of excesses occurring throughout the Company's alleged reproduction cost statement. The detail amounts making up this total amount of excess have been heretofore discussed; and the amounts discussed from page 1 of what has been marked Exhibit No. 5 are supported by the detail appearing on pages 2 to 63 inclusive.

Q. I might ask you the same as to these other exhibits which we have introduced today, the pages succeeding page 1 of each of them contain the supporting data for page 1, do they not?

A. Yes, sir, in each case.

Mr. Turner: I offer in evidence Allensworth's Exhibit No. 5.

Mr. Burr: We object to it.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

And thereupon the Document last above referred to is admitted in evidence on behalf of the State of Ohio, subject to the above objection and exception of The Ohio Bell Telephone Company and is herewith submitted and marked Allensworth's Exhibit No. 5.

Mr. Turner: I now offer in evidence Allensworth's Exhibit 5-A.

Chairman Klinger: It may be admitted.

And thereupon the Document last above referred to [fol. 4171] is admitted in evidence on behalf of the State of Ohio and is herewith submitted and marked Allensworth's Exhibit No. 5-A.

Q. Have you made a reproduction cost study or appraisal of any other classes of property of The Ohio Bell Telephone Company in addition to the exhibits now in; if so, what are they?

A. I have; of the right of way, land, overhead charges, general tools and implements and working capital.

Q. Have you prepared an exhibit showing the result of comparing your reproduction cost or appraisal of these items valued or appraised by you with the Company's reproduction cost and appraisal of the remaining items of property?

A. I have.

Q. I hand you what has been marked Allensworth's Exhibit No. 6 and ask you whether that is such exhibit?

A. It is.

Q. Please explain that Exhibit No. 6 in a general way?

A. What has been marked Allensworth's Exhibit No. 6, consisting of one page, is a collation of the Company's total reproduction cost as of June 30, 1925, as adjusted, and as appearing in the fourth column of what has been marked Allensworth's Exhibit No. 1.

The adjustments, as explained at the time of the introduction of Exhibit No. 1, are adjustments made by the Company.

The amount appearing in the lefthand column in this [fol. 4172] Exhibit No. 6 is copied and brought forward from what has been marked Allensworth's Exhibit No. 1.

That statement, Exhibit No. 1, and the amounts revealed here in Exhibit No. 6, is the Company's claimed total reproduction cost of its entire property as of June 30, 1925.

On this page will be noted various plant and property classifications. Opposite those items are the amounts claimed by the Company to be its reproduction cost as of that date.

The second column of this Exhibit, which is titled "Allensworth's Reproduction Cost, using Company's Re-

production Cost for Classifications marked with quotations", is my reproduction cost of outside plant, my reproduction cost of right of way, my reproduction cost of land, my construction overhead charges, my statement of the reproduction cost of general tools and implements, my statement as to working capital, together with certain amounts claimed for other classifications by the Company as being the reproduction cost of those various classifications. In other words, this second column is made up of my reproduction cost or appraisal of items that I have established a reproduction cost of, of items of which I have determined the appraisal; and for other items the Company's reproduction cost is used.

Q. Well, why did you use the Company's reproduction cost there in units; why are those used?

A. For the reason that I have made no appraisal or reproduction cost of such items.

[fol. 4173] Q. All right.

A. In using those items for this collation it must not be understood that I subscribe to or adopt those amounts set forth in those various classifications of the Company as being its reproduction cost.

Q. Now I wish you would take up these several items beginning with right of way and explain your reproduction costs.

A. The reproduction cost of right of way shown by the Company is $1,939,923.00.

As I have heretofore explained in my testimony, that is produced by the Company applying a factor of three per cent to its alleged reproduction cost of outside plant, including interior block wires. Opposite that amount will be found the amount in the column headed "Allensworth's Reproduction Cost", which amount is $650,000.00. That is my judgment of the fair reproduction cost of the right of way enjoyed by The Ohio Bell Telephone Company in the State of Ohio as of June 30, 1925. That is my determination of reproduction cost of right of way, and is the reproduction cost of right of way enjoyed by the Company under private contract of some form or other. It is not a reproduction cost of poles occupying public highways upon which the Company claims a right of way value. This right of way value that I have set up here is the right of way value of those poles setting in public ways under private contract, or occupying private premises under private contract.

Q. Now, to get that straightened out in our minds, the Company in its appraisal claims value for the right of way on the public highway, is that correct?

[fol. 4174] A. It does, as I understand their claim.

Q. And you have allowed value only to private right of way?

A. Private right of way or poles and other plant elements occupying public ways under private contract of some nature or other.

Q. Or wherever they had to pay for it; did you include that?

A. Yes, sir, if some payment was made.

Q. All right; go ahead now.

A. The amount there shown, $650,000.00, is my judgment of the reproduction cost of this class of property and is produced from my experience in studying right of way values and right of way costs. And it will be noted that, from my former statement of the total number of poles in this property, that it is practically one dollar per pole. I do not wish it to be understood that I have appraised this property by applying a one dollar per pole amount against the number of poles in the plant. I am directing attention to the fact, however, that the amount I show as right of way cost is approximately one dollar for each pole in the plant. This right of way amount, of course, covers the right of way of plant facilities other than poles.

Q. Why did you eliminate a valuation for the right of way in public highways?

A. Because I do not believe that for rate making purposes any value attaches to any such poles or facilities in public highways.

Q. Are you familiar with the statute of Ohio on the subject of valuation of right of way in the public highways?

A. I am not, no, sir.

[fol. 4175] Q. Well, did you follow any instructions on that question in making up this valuation?

A. I did not.

Q. All right; proceed with the next item.

A. The amount shown in the Company's reproduction cost as reproduction cost of land is $3,943,467.00. The amount shown in my reproduction cost as reproduction cost of land is $3,463,544.00.

The amount shown in my reproduction cost as being the reproduction cost of land is the Company's reproduction cost of land, having deducted therefrom the amounts claimed as being the reproduction cost of certain leaseholds, which were discussed in my testimony relative to Exhibit No. 1.

Going to the next item "Buildings", I have used here the amount claimed by the Company as being the reproduction cost of buildings.

Mr. Burr: May I interrupt?

The Witness: Yes, sir.

Mr. Burr: If I correctly remember your previous testimony it was that you had reduced the Company's appraisal of some of its real estate on the theory that the Company was claiming the value of the fee simple title to the property, whereas it only had a leasehold?

The Witness: No, sir, I made no such statement, Mr. Burr.

Mr. Burr: Would you mind telling me what that was?

The Witness: I did not make any reduction in the Company's claimed reproduction cost of land in my testimony [fol. 4176] relative to Exhibit 1. I reported to the Commission that the Company claimed a reproduction cost for land amounting to $3,943,467.00. In that connection I directed the Commission's attention to the fact that a part of that $3,943,467.00 amount was made up of the Company's claimed reproduction cost, if you please, of certain leaseholds occupied in Cleveland, two of them, as I remember it, upon which the Electric building stands, and one upon which a newer building stands, if I remember rightly. I may be in error as to the detail.

Mr. Burr: Well, not to prolong the interruption any more than necessary, but in order to get myself straight on it, did you read the testimony and affidavits of The Cleveland Real Estate Board appraisers who appraised the leaseholds of the Company referred to in your previous answer at the amounts set up by the Company in its appraisal?

The Witness: I did not read those statements, no, sir.

Mr. Burr: That is all. Thank you.

The Witness: And I will add, if you please, Mr. Burr, that I have no quarrel with the affidavits and no criticism to make.

Mr. Burr: I see.

The Witness: What I have done is something entirely different. The Cleveland Real Estate Board may very well place an appraisal of certain leaseholds on a certain piece of property in Cleveland. With such statement per se, as you lawyers say, I have no quarrel. I am reporting here [fol. 4177] the reproduction cost of the land used and useful by The Ohio Bell Telephone Company——

Mr. Burr: I see.

The Witness: In its telephone business in the State of Ohio for the purposes of rate making; I am reporting now to this Commission that in my belief and in my judgment that no allowance should be made for the value of land held under lease.

Mr. Burr: I see.

The Witness: Now if you wish me to argue that question I will be very glad to continue.

Mr. Burr: No; I thank you very much for the explanation, because that is the first time I have understood why you made the deduction; and your position in that respect is the same notwithstanding the land might be held by the Company under 99 year leases renewable forever?

The Witness: Exactly so.

Mr. Burr: Thank you.

The Witness: For your information, I have appraised those same leaseholds on former occasions and I know what the Company originally paid for the leaseholds under the electric building, and, for your further information, they did not pay anything for them. There was no fee passed at the time those leaseholds were granted. That was my information and instruction at the time.

By Mr. Turner:

Q. How is the rental on those leases absorbed today?

A. It is absorbed as an operating expense.

[fol. 4178] Q. In other words, then, they are claiming a return on capital and they are paying it out of expense; is that it?

A. Yes, sir, they are paying rent on the same item.

Q. Proceed then, Mr. Allensworth, with the next item. I think it is Buildings. There is no change in buildings, and there is no change in Central Office Equipment; there is no change in Other Equipment of Central Offices; Station Ap-

paratus, no change; Station Installations, no change; Interior Block Wires.

A. The Company claims as to its reproduction cost of interior block wires $83,334.00. In my reproduction cost the amount for interior block wires is $74,210.80. The difference between these two amounts is essentially and practically entirely the difference in the cost of the wire entering into these interior block wire installations, and as shown in the detail of what has been marked Allensworth's Exhibit No. 5.

Q. The next item in which there is a difference between yourself and the Company's figures is, I believe, Outside Plant?

A. Yes, sir.

Q. Go ahead and tell us about that.

A. Outside plant; and the difference between the Company's reproduction cost and my reproduction cost has already been explained in my discussion of Exhibit No. 5.

Q. Now go right ahead with the next item that ought to be explained here.

A. The next item is "Sub-total", which is the sum total of the amounts appearing above. In the case of the Company's reproduction cost this sub-total is $107,037,647.00. [fol. 4179] In my reproduction cost as presented here in this column it is $87,343,899.01.

The next item is "Construction Overhead Charges". In the column titled "Company's Adjustment Reproduction Cost" I have repeated the statement appearing in Exhibit No. 1, which shows in detail the Company's alleged amounts for its various construction overheads, namely, omissions, engineering, general, taxes during construction and interest during construction. These total construction overhead charges of the Company amount to $18,986,642.00. The construction overhead charges in my reproduction cost amount to $13,101,584.85.

The Company has detailed individual and specific charges for each one of its construction overhead charges. In other words, it says that its total amount claimed for inventory omissions is $2,135,002.00; that its claimed amount for engineering is $5,444,256.00; that its claimed amount for general expense is $2,286,587.00; that its claimed amount for taxes during construction is $1,674,512.00; that its claimed amount for interest during construction is $7,446,285.00; making a total, as before read, of $18,986,642.00.

It will be noted that in the column headed "Allensworth's Reproduction Cost" there is no detail or breaking up of the construction overhead charges into such elemental basic charges. However, for the information of the Commission, my overhead charges amount to 15 per cent of the repro- [fol. 4180] duction cost of the property. That 15 per cent is made up as follows:

Engineering and Superintendence, 5 per cent; General Expense, 2 per cent; Interest During Construction, 6 per cent; Taxes during Construction, 1 per cent; Omissions, 1 per cent.

I wish to explain further that in my use of construction overhead charges and in my interpretation of overhead charges, as an engineer, I have expressed these as a sum total of the total amount of overhead charges. As I have before stated, these charges amount to 15 per cent of the reproduction cost; but I wish to explain very specifically that by making this explanation as to the individual charges, I, as an engineer, do not contend that engineering and superintendence alone and by itself, with nothing else considered, is a five per cent charge. I do not contend—I am not submitting a statement here in this record that general expense of and by itself is a two per cent charge; I do not contend—I do not submit here in this discussion that interest during construction, by and of itself considered, is a six per cent charge, etc., and so on, with both the other charges, taxes during construction and omissions.

I do say as an engineer that a total proper allowance for construction overhead charges in this appraisal is 15 per cent, and in making that allowance I admit, if you please, that engineering and superintendence may be something [fol. 4181] more than five per cent, or may be something less than five per cent; general expense may be something more than two per cent or it may be something less than two per cent; interest during construction may be something more or less than six per cent; taxes during construction may be more or less than one per cent; omissions may be more or less than one per cent; for the reason that those charges are always functions of the construction operation.

The period of construction, the way I work, is programmed, and varies widely over construction experience. But I do know, as an engineer, that the sum total of these

charges in circumstances such as this appraisal are properly 15 per cent.

I would like to make one further explanation, and that is relative to the charges I have made for omissions, one per cent. Omissions in my reproduction cost and in this charge do not mean inventory omissions by and of themselves. That one per cent amount is omissions to provide for omissions of inventory, omissions in unit prices, omissions any place in the appraisal. If it be assumed that the omissions charge by and of itself is one per cent, then I have allowed in this appraisal 873 thousand dollars plus for any errors or omissions in unit prices; for any errors or omissions in inventory.

The next item on the page is a sub-total and is the sum of the three previous items, or the two previous items—pardon me.

Q. Now drop down to General Tools and Implements, [fol. 4182] because that is the next item in which there is a difference.

A. As explained in my testimony relative to Exhibit No. 1, the Company, in presenting its claimed amount of tools and implements, has included therein many items, which were charged to expense at the time of purchase. That amounts, as I estimated it in my Exhibit No. 1, to $150,000.00. The amount here shown as tools and implements in my reproduction cost is $150,000.00 less than the amount shown by the Company.

The next item, "Total", is the previous sub-total with the following items added——

Q. Go ahead; "Working Capital including Supplies".

A. The next item "Working Capital including Supplies"; that is my determination of working capital and is made up of material and supplies to the amount of $1,390,336.00, which is the amount reported as material and supplies on hand in the balance sheet of The Ohio Bell Telephone Company as of June 30th, 1925. There is also included 1/12 of the operating expense of the Company as reported for the year ending June 30th, 1925; 1/12 of these operating expenses amounts to $1,240,647.00. In other words, in making up this allowance for working capital I have included the material and supplies on hand as of June 30th, 1925. I have added thereto one month's operating expense, or the

equivalent of two payrolls—pardon me, I should say two payroll periods.

Q. Anything further on this item?

A. Not at this time, no, sir.

[fol. 4183] Q. All right; take the next.

A. The next item "Sub-total", is the sum of the previous total and the material and supplies amount.

Q. Well, go to Construction Work in Progress; you have an item there.

A. The construction work in progress reported by the Company as of June 30th, 1925, is $2,223,718.00. I make no allowance in my reproduction cost for any such item.

Q. Why?

A. For the reason that in the accounting system of The Ohio Bell Telephone Company construction work in progress is an earning account. They credit this account with earnings of interest. They charge against the construction itself this amount earned. The inclusion of construction work in progress in such an appraisal as this means that because of the fact that this construction work in progress during its period of construction carries with it a return, which return is added to the base before it goes into the plant account, and if such allowance is made in a statement like this, it means doubling the return.

Q. Now the next item, "Cost of Establishing Business".

A. The Company claims as Cost of Establishing the Business $20,718,996.00. I make no allowance for any such item in my reproduction cost because of the fact that the records of the Company do not show that the Company has ever incurred any cost of establishing the business that has not been absorbed currently as operating expense.

The next item "Grand Total" is the sum of the previous items, the grand total of the Company's alleged re-

[fol. 4184] production cost being $157,031,584.00.

My reproduction cost, with qualifications as stated, that is, the inclusion of certain reproduction costs of the Company, amounts to $104,656,095.86.

Q. A difference of about 52 million dollars?

A. 52 million dollars plus; I haven't the figure right before me, Mr. Turner.

Mr. Turner: We offer in evidence Allensworth's Exhibit No. 6.

Mr. Burr: We object to it because it is a compilation of the previous exhibits and based upon them. I would like to save the record in that respect.

Chairman Klinger: You may note an exception; the objection is overruled. It may be admitted.

And thereupon the document last above referred to is admitted in evidence on behalf of the State of Ohio, subject to the above objection and exception of The Ohio Bell Telephone Company and is herewith submitted and marked Allensworth's Exhibit No. 6.

Q. I want to ask you one question further; if the amounts, or any or all of the items in this Exhibit No. 6 should be modified by the Commission, what items, if any, in your reproduction cost or appraisal would be affected thereby, and to what degree would they be affected?

A. The construction overhead charges would be effected, and that is the only item. If the Commission [fol. 4185] should raise or lower the reproduction cost of any of the physical plant elements from what I have shown here, a comparable raising or lowering should follow in the construction overhead charges.

Mr. Turner: This is all we have with Mr. Allensworth at this time. You may cross-examine, if you desire.

Mr. Burr: Before attempting Mr. Allensworth's cross-examination, it will, of course, be necessary for the Company to have further data than that disclosed by his testimony.

It should be stated to the Commission that responsive to Mr. Allensworth's request made of the Company from time to time during the past eight or nine months, the appraisal engineer has furnished him with a quantity of information, both verbal and in writing. We assume that Mr. Allensworth will in like part be available for similar requests from the Company's engineer from time to time, and in that way we can of course speed our preparation for the cross-examination.

Is that satisfactory to you gentlemen on the other side, including Mr. Allensworth?

The Witness: I will be very glad to furnish Mr. Williams or anybody connected with your Company any information that may be helpful to them for the purpose.

Mr. Burr: Will you, Mr. Allensworth, please furnish us

typewritten statements containing complete details of the unit costs applied by you in compiling your valuation as of June 30, 1925, and particularly on the Company's outside plant, including interior block wires, in the same man-
[fol. 4186] ner and detail as the unit costs furnished by the Company to you?

The Witness: I will be very pleased to do so as rapidly as I am able to get them out. Of course I have all of that detail in my office, but there is much of it—you said a typewritten copy?

Mr. Burr: Yes, sir.

The Witness: There is much of it that has not been typed.

Mr. Burr: The reason I said typewritten copies was because we furnished typewritten copies, and it is almost necessary that we have the matter typed and not rely on somebody else's long-hand notes. The process of typewriting, as Mr. Allensworth suggests, may take some time, and yet we are very anxious to have it furnished to us in that form.

The Witness: I quite agree with Mr. Burr; he should have a typewritten copy.

Chairman Klinger: How soon do you think this can be provided?

Mr. Turner: Well, the girl is working on them. It is a tremendous job. They will have to do it, as we did it, in installments, and work on it; I suppose that is the way they will want it. I cannot estimate it. The engineers on both sides can give us a better idea than we lawyers have.

Chairman Klinger: We will adjourn then subject to advice from counsel.

[fol. 4187] Commissioner Huffman: The date for cross-examination, in other words, will be set later by the Commission.

Mr. Burr: Do I understand that that closes Mr. Allensworth's testimony in chief so that the cross-examination is the next step in the case?

Mr. Turner: Well, it closes his examination in chief as the exhibits now stand, with the exception that I have some illustrations to put in on the way that the direct labor is built up; in other words, like our pole illustration.

Commissioner Maullar: Could this be furnished directly along with the other data to the other side?

Mr. Turner: Yes, we can furnish them, but we can not furnish some other testimony which we expect to offer by a later witness on other phases of this case, using these figures that Mr. Allensworth has put in quotation marks.

We are ready for your cross-examination, but we may be able to modify some of those figures, which would call for another exhibit, No. 6 by Mr. Allensworth; that is, 6 reconstructed or revised.

Commissioner Huffman: In other words, you are not resting your case?

Mr. Turner: Oh, no.

Commissioner Huffman: But as far as you know at this time Mr. Allensworth has completed his testimony unless it is to be supplemented?

Mr. Turner: Just merely supplemented. We will supplement Mr. Allensworth's testimony with illustrations, [fol. 4188] but we will give those to the gentlemen on the other side before we meet again, so that they will have an opportunity to cross-examine on them.

Mr. Burr: Outside of that then, Mr. Allensworth is finished?

Mr. Turner: No, Mr. Burr, for we have another witness and then if that witness gives us figures which change some of the figures in Exhibit No. 6, that Mr. Allensworth has accepted as the Company's appraisal, why, we will want Mr. Allensworth to construct a supplemental Exhibit No. 6. Otherwise, as far as we know, we are closed with Mr. Allensworth.

Commissioner Huffman: You will give the Commission the necessary information then as to the time that the data will be furnished?

Mr. Turner: That will come from Mr. Burr, because we will begin feeding it to them, and whenever they are ready, why, they will say so.

Mr. Burr: Mr. Allensworth, how long do you suppose it will take before we come to the end of what you are going to give us?

The Witness: I can furnish some of it this week. It will be a number of weeks before all of it will be ready; I should say two or three weeks.

Mr. Burr: It will be four anyway, or nearly four?

The Witness: Possibly, before all of it will be gotten [fol. 4189] out.

Commissioner Huffman: Then the Commission will await further information from the parties.

And thereupon the further hearing of this matter was adjourned to a date to be later set by the Commission.

[fol. 4190] Morning Session

Wednesday, August 15, 1928.

And thereupon the further hearing of this proceeding was resumed pursuant to the call of the Commission, before Honorables William Klinger, Chairman, J. W. Huffman and F. B. Maullar, Public Utilities Commissioners.

Appearances:

Same parties, by their respective counsel, as at former session.

COLLOQUY

Chairman Klinger: You may proceed.

Mr. Burr: Your Honors, before proceeding with the cross-examination, I call attention to the fact that at page 2844 of the record the Attorney General indicated that he might call another witness. That being so, and in order that we on our side may know about when the Company will be expected to go forward with its rebuttal testimony, can the Attorney General now state whether he is ready to go forward with the additional witness or witnesses at the close of this cross-examination, or would he rather reserve his statement in that respect until a later date?

Mr. Turner: I would rather reserve my statement until we finish with this cross-examination.

Mr. Burr: At page 2811 of the record Mr. Allensworth [fol. 4191] undertook to make a comparison between the alleged pole digging performance reflected in his labor costs on the one hand and the performance which he claimed to be reflected in the Company's labor cost on the other.

Q. At page 2943 of the record the Attorney General referred to some further illustrations which he proposed to put in evidence. As shown by the same page of the record these were to be furnished us before this meeting Mr. Allensworth has not furnished them and we are anxious to know just what is the status of the matter because it reflects upon the course of the cross-examination.

Mr. Turner: We are through in chief.

Mr. Burr: In reference to Mr. Allensworth's labor costs applied by him in this case the record shows, and will be developed on cross-examination, that in practically all instances he shows only the total labor cost without giving the component parts of that cost. We have asked him, that is, the Company's engineers have asked him, for the details of his labor unit costs, but in very few respects have those been furnished. That being so, I think I wrote to the Attorney General calling his attention to the fact that all details had not been furnished, but in my judgment it was probably better to have the cross-examination proceed and let those details be developed on cross-examination. That, however, will make the cross-examination longer than might otherwise be the case, so when we are asking Mr. Allensworth in detail for the component parts of his labor costs I hope that the Commission will bear with us and realize [fol. 4192] that this is the only way in which we are able to get them, if at all.

Chairman Klinger: You may take the witness stand then, Mr. Allensworth.

Mr. Calland: If the Commission please, at the last hearing Mr. Allensworth put into the record by way of testimony certain prices on miscellaneous material on pole lines which he testified were secured from The Lake States General Electric Supply Company, The Erner & Hopkins Division. Upon being asked for the details as to that, he had those on a number of sheets and at that time the record will show that he agreed to pick out the prices which he had used in his appraisal and make a separate statement of that. That statement has been made and I understand copies furnished to the Telephone Company.

I thought perhaps for the benefit of the record we should introduce Mr. Allensworth's Exhibit 5-A, that compilation of prices. They were used by Mr. Allensworth in making his appraisal of that material.

So if there is no objection, I will offer Exhibit 5-A in evidence at this time.

Chairman Klinger: Exhibit 5-A may be admitted, if there is no objection.

And thereupon the Document last above referred to is admitted in evidence on behalf of the State of Ohio and is herewith submitted and marked Allensworth's Exhibit 5-A.

[fol. 4193] Mr. Calland: Now, Mr. Burr, and the Commission, since the last hearing, some further check has been made of the whole situation, and on some features of the appraisal, and I want to ask Mr. Allensworth a question or two to bring out some slight revision that he has made in some of his examination figures, so the record may show that, before the cross-examination proceeds. Is there any objection?

Mr. Burr: No; with the understanding, if it does develop that it requires any further investigation on our part, that we may be given an opportunity to do it.

[fol. 4194] And also HARRY R. ALLENSWORTH, resuming the stand for further examination-in-chief, having been heretofore duly sworn, continued his testimony as follows:

Examined by Mr. Calland:

Q. Mr. Allensworth, since your last appearance on the stand, have you found it necessary to make any revision of any of the figures contained in your appraisal of the property of The Ohio Bell Telephone Company?

A. I have.

Q. If so, state what they are; and give the result.

A. I find that because of the pressure, and especially the pressure as to time, that in making up the reproduction cost of paying over conduits and manholes there were some errors in the computation upon which was based the figures that I put in my testimony at the last hearing.

Referring to what has been marked as Allensworth's Exhibit No. 3, and with particular reference to page 1 of that exhibit, it will be noted that on this page, and opposite the title "Exchange underground conduit", there appears the amount $7,876,629.77; that includes the pavement over conduit and manholes.

In my revision of my reproduction cost of paving over conduit and manholes I increased or made an added amount to paving of $59,430.78, so that the amount that I read as [fol. 4195] appearing on page 1 of what has been marked Allensworth's Exhibit No. 3 should read $7,963,060.55. That makes a corresponding correction in the total; the amount appearing opposite the title "Total exchange and toll", the amount $46,344,627.30 becomes, with this correction, $46,404,058.08.

Referring to what has been marked as Allensworth's Exhibit No. 4, and with particular reference to page 1 of

that Exhibit and opposite the title "Paving cut for original installation", the amount there shown is $1,435,962.22; that amount should be $1,495,393.00 even.

The next figure, opposite "Total outside plant", which, in the original exhibit, reads $46,344,627.21, becomes $46,404,057.99.

Referring to what has been marked as Allensworth's Exhibit No. 5, and with particular reference to page 1 thereof, it will be noted that opposite the title "Paving cut for original installation", and in the second column headed "Allensworth's reproduction cost", there appears the amount $1,435,962.22; because of this revision this amount should read $1,495,393.00.

In the third column, titled "Differences" and opposite the title "Paving cut for original installation", there appears the amount $152,523.91; because of this revision this amount should read $93,093.13.

Opposite the last title on this page, namely, "Total outside plant", and in the second column headed "Allensworth's reproduction cost", there appears the amount $46,344,627.21; because of this revision this amount should [fol. 4196] read $46,404,057.99.

In the third column, titled "Differences", and opposite the title "Total outside plant", the amount appearing in the exhibit as originally presented is $18,018,970.45; because of this revision this amount should read $17,959,539.67.

Referring to what has been marked Allensworth's Exhibit No. 6, which exhibit consists of only one page, I have prepared a new page to take the place of the page appearing in the original exhibit.

Mr. Calland: I would ask for permission of the Commission to have made the corrections in the exhibits as outlined by this testimony and to substitute this page for the page now appearing as Exhibit No. 6.

Chairman Klinger: Is there any objection?

Mr. Burr: Subject to the original objections to the exhibit as appearing in the record.

Chairman Klinger: All right, that may be done.

And therefore, subject to the above objection of The Ohio Bell Telephone Company, the above substitution of Exhibit No. 6 was made.

Mr. Calland: That is all I have.

[fol. 4197] Cross-examination,

By Mr. Burr:

Q. At page 2808 of the record you say: "In the determination of my labor costs a customary and efficient gang is determined and performance applied which experience has shown could reasonably be accomplished." What do you mean by that, and to what and whose experience do you refer?

A. I was referring to my personal experience. Does that answer your question?

Q. Not if you were also referring to other experience.

A. I was referring to my personal experience.

Q. Tell the Commission where and when that experience took place or occurred, if you please?

A. From the year 1899 forward to date. In 1899 I was foreman in charge of telephone plant construction in Cleveland, Ohio. For 12 years I was superintendent of the Fire and Police Telegraph in Columbus, Ohio; and in my experience there is not one single operation that I know of involved in the construction of telephone properties that I have not personally performed. There are not many operations involved in the construction of a telephone property that I have not had immediate and direct supervision of. But in that statement I referred more to my experience, my own personal experience, in my study of construction costs and construction methods by telephone construction organizations.

Q. How long were you a telephone construction foreman in Cleveland?

[fol. 4198] A. I think from some time in May until about the middle of September, 1899.

Q. Is that all of the construction experience you have ever had in the telephone business?

A. No, sir.

Q. What other telephone construction experience have you had?

A. I was superintendent of Fire and Police Telegraph in the City of Columbus for 12 years.

Q. Well, but I am talking about telephone companies; what other commercial telephone experience have you had in the line of construction work?

A. In construction work for commercial companies that is the extent of my experience.

Q. And what sort of construction did that Cleveland work involve?

A. I was foreman of a crew installing inside wiring, building cables and that sort of thing.

Q. What experience if any have you had in the construction and installation of pole lines, including the erection of poles and the stringing of wire?

A. I have set poles myself and strung wires on them right here in Columbus.

Q. For whom?

A. For the City of Columbus.

Q. And when?

A. During the 12 years that I was superintendent of Fire and Police Telegraph.

Q. Have you had any experience in the construction of commercial telephone lines or the erection of commercial telephone poles and wire?

A. Actual construction experience?

Q. Yes.

A. No, sir.

Q. What experience have you had in the installation of telephone switchboards?

A. I installed all the switchboards installed by the City of Columbus during my 12 years.

[fol. 4199] Q. I am asking you about commercial telephone switchboards?

A. Pardon me, Mr. Burr, you said telephone switchboards.

Q. Very well; let us understand that unless it is indicated to the contrary I am referring to commercial telephones?

A. All right.

Q. Now will you answer the question?

A. Installing switchboards for what you denominate a commercial telephone company, I have installed no such switchboard, but every switchboard that I have installed for the City of Columbus was in all effects and in all of its details the same as the commercial switchboard of the same size.

Q. How many stations were included in any one of those boards installed in Columbus?

A. I don't remember that offhand; I would have to look it up. But in the number of stations they would run comparatively few in comparison with a fair-sized city plant.

Q. Now I think you said, if I got your answer correctly,

that you had analyzed the experience of telephone companies, the cost experience of telephone companies; will you tell the Commission what companies you referred to in that answer?

A. What was formerly the Central Union Telephone Company, the Ohio State Telephone Company, the Northwestern Telegraph Exchange Company, the Tri-State Telephone & Telegraph Company.

Q. What did you analyze for or in connection with the Central Union Telephone Company?

A. In my employment by the Ohio State Telephone Com- [fol. 4200] pany as valuation engineer I worked very closely with the so-called appraisal engineers of the Central Union Telephone Company. Mr. A. J. Walker was in charge at that time and all of the analyses that he made was made available to me.

Q. Did you take them?

A. How?

Q. Did you take them and use them?

A. I don't know just what you mean by that.

Q. Have you them now?

A. No, sir.

Q. Did you ever have them in your possession?

A. I don't remember that I had them in my possession permanently. And likewise I went through the costs—I forgot to mention that I went through the cost records and the construction records to quite some extent of the Pennsylvania Bell Telephone Company—Mr.—I have forgotten his name—the appraisal engineer at that time, and I think he still is.

Q. Was it Mr. Francis?

A. Yes, sir, it was Mr. Francis. That was in connection with Mr. Walker and Mr. Francis in making up some unit costs.

Q. Did you yourself personally analyze and check the cost records of either of those companies, the Central Union or the Pennsylvania Company, or did you merely look at the figures that had been made available, as you say, by Mr. Walker and Mr. Francis?

A. What are cost records? I don't understand your question.

Q. Any of the cost records of either of those two companies, showing their cost experience in respect to construction of telephone plant?

[fol. 4201] A. You will have to define what you mean by cost figures before I can answer your question intelligently. If you mean just costs I have examined, I suppose hundreds of thousands of them.

Q. I mean did you examine the records of those companies showing the cost results of the construction of telephone plants?

A. That was the very thing that was revealed to me; I did not examine anything else.

Q. Did you examine them, is what I asked you?

A. Certainly.

Q. You examined the company's own records, did you, in those respects?

A. You will have to explain what you mean by the company's personal own records; those figures that I looked at were the company's figures. What do you mean by cost records?

Q. I mean the completed estimate reports?

A. Did I go back on the work orders and completed estimates——

Q. Did you see the completed estimate reports of any of those companies?

A. Not in all cases; I did in some cases.

Q. In what cases?

A. Particularly in the case of the Northwestern Telephone Exchange Company, it was then; it is the Northwestern Telephone Company now.

Q. I am asking about the Central Union and the Pennsylvania companies; did you do it in respect of those companies?

A. I don't remember of having made any particular search or inquiry back as far as to the closed estimates but the statistics that I did examine were the results of these so-called closed estimates as revealed to me by these vari-
[fol. 4202] ous officials of the company.

Q. Do you mean that the officials of the company told you that those records that you saw reflected the results of construction experience of those two companies?

A. They certainly did.

Q. You referred to the Tri-State Company in Minnesota, I believe, and to the Northwestern Telephone Exchange Company, was it?

A. It was when I started my work up there, and after-

wards became the Northwestern Telephone & Telegraph Company, something like that, as I understand it.

Q. I think you also referred to your work as appraisal engineer of the Ohio State Telephone Company; did you in that connection make an appraisal of the property of that company formerly owned by the so-called Cuyahoga Telephone Company in Cleveland?

A. I did.

Q. And your valuation in that case was of what date?

A. I don't remember.

Q. Now did you also make an appraisal of any of the telephone property of the Tri-State Telephone Company in Minnesota?

A. Yes.

Q. Or of what we call for short the Northwestern Company in that State?

A. I don't understand the last part of your inquiry.

Q. Did you appraise any of the property of the Northwestern Telephone & Exchange Company in Minnesota?

A. No, sir.

Q. But you did appraise the property of the Tri-State [fol. 4203] Telephone Company in that State?

A. Yes, sir; also in the States of Wisconsin and North and South Dakota.

Q. That was the property of the Tri-State Company?

A. Yes, sir.

Q. Now I recall, I think, that in your qualifications as a witness, the record page 2676, I think, or 2678, and some of the following pages, you refer to your appraisal experience in the Cuyahoga valuation, and in what we will call your Tri-State valuation, but what I want to know is, what is your telephone experience on which you base your costs in this case?

A. I think, Mr. Burr, that I have pretty well covered that, that my telephone experience was the experience of all my life.

Q. Well, let us get at it this way; do you rely in part on your appraisal experience in those two cases as a part of your qualifications in the present case?

A. In as far as such qualifications may be pertinent, yes.

Q. What similarity of conditions was or is there between the present case and those two experiences warranting you in relying in this case on your appraisal experience there?

A. What was that, please?

Q. What similarity of conditions was there between the present case as of June 30th, 1925, and those two experiences; that is to say, the one in the Tri-State case and in the Cuyahoga case, warranting you relying in this case on your appraisal experience in those two cases?

A. What similarity of conditions?

Q. Yes.

[fol. 4204] A. I don't know whether there was any or not.

Q. I see. Isn't it true that the only two cases in which you have made an appraisal of telephone properties of any size is represented by your appraisals in those two cases?

A. Please define what you mean by "Any size"; what is "any size"?

Q. Well, anything comparable with the property of The Ohio Bell Telephone Company?

A. Why, of course not; there is no other property that I know of comparable to the property of The Ohio Bell Telephone Company.

Q. In the Cleveland case, the amount of property involved there was about $6,000,000.00, wasn't it?

A. I think 6¼ million was my total reproduction cost.

Q. And in the Tri-State case what was the amount? A. I don't remember.

Q. Have you ever anywhere in the United States made an appraisal of telephone property approximating the size of your appraisals in either of those two cases excepting this one of The Ohio Bell Telephone Company in this case?

A. No, sir.

Q. Wasn't your valuation in the Cuyahoga case what is known among telephone engineers as a high-spot value?

A. No, sir.

Q. If it was not, approximately how much time or how many more days were required in the preparation of that appraisal?

A. I don't know.

Q. You were the appraisal engineer in charge of it, weren't you?

A. Yes, sir.

[fol. 4205] Q. How many men were in your department and under your jurisdiction in making that appraisal?

A. I don't know that. The crews of course varied anywhere from one up.

Q. To what?

A. I don't remember how many we had there.

Q. Would it run as high as 10 or 20 at times?

A. Oh, I should say probably 40 or 50.

Q. 40 or 50 men; and you cannot tell how many man days were devoted to it?

A. No, sir.

Q. Do you remember when you started in on the work and when you finished it?

A. I started in on September 15th, 1914.

Q. And when was it finished?

A. I don't remember; I think it was some time in—I think it was about the summer of 1917.

Q. Now that appraisal was filed with the Public Utilities Commission, wasn't it?

A. Yes.

Q. Filed over your signature?

A. Yes, sir.

Q. And it was in response to an order issued by the Commission requiring the Company to submit an appraisal of its property, wasn't it?

A. Yes, sir; that is as I understood it at the time.

Q. Will you look at the exhibit, which may be marked for the purpose of identification Allensworth Cross-examination Exhibit No. 1, and tell the Commission whether that is a copy of the order referred to?

A. I don't know whether it is or not. I know nothing [fol. 4206] about the order excepting that it may have been handed to me; I had nothing directly to do with the order or in response thereto.

Mr. Burr: I see. Well, that is going to take a little more time but we will get to it.

Your Honors, there is on file here with the Commission in case No. 194, entitled In the matter of Resolution No. 3100 of the City Council of the City of Cleveland requesting the Commission to appraise the property of the Cleveland Telephone Company and the property of the Cuyahoga Telephone Company, an order of this Commission directed to those two companies and reqniring them to submit an appraisal of their property to this Commission.

We have made a copy of the order. The witness says he may have seen it, and I believe counsel took my statement for the fact, that the copy which we have made is correct; if not, we will ask to have the Commission's record in Case No. 194 brought down here.

Mr. Turner: Always subject to check.

Mr. Burr: Thank you. The order is also contained in the volume of Mr. Allensworth's appraisal in that case over his signature.

We will offer in evidence Allensworth's Exhibit No. 1.

Mr. Calland: I assume that we are permitted to save the same general exceptions which were accorded to you, so we wont have to object from time to time as we go along?

Mr. Burr: Yes.

[fol. 4207] Chairman Klinger: It may be admitted.

And thereupon the Document last above referred to is admitted in evidence on behalf of The Ohio Bell Telephone Company, subject to the above objection, and is herewith submitted and marked Allensworth's Cross-examination Exhibit No. 1.

Mr. Burr: May it be understood that in referring to the Cuyahoga Company and his Cuyahoga caluation in these questions we are referring to the property of the Ohio State Telephone Company in the Cleveland Division in 1914, formerly owned by the Cuyahoga Telephone Company?

Mr. Turner: I don't know.

Mr. Burr: This order was made in April, 1914; at that time the property was owned by the Cuyahoga Telephone Company; in July, 1914, it was consolidated with other properties into what was known as the Ohio State Telephone Company; that is all in this record.

Mr. Calland: That whole history is in this record.

Mr. Burr: And the appraisal was filed some time in 1916 or 1917, so that when it was filed it was, as I remember, owned by the Ohio State Telephone Company, formerly owned by The Cuyahoga Telephone Company, and for the sake of brevity and to avoid going through that explanation, we will call it the Cuyahoga property.

Mr. Turner: There is no objection, subject to varification as to time.

[fol. 4208] Q. As a matter of fact, Mr. Allensworth, were the labor and materials costs which you used in that case actually backed by detailed unit costs as you claim your unit costs in this case are?

A. No, sir.

Q. Did you make your unit costs in that case in greater or in less detail than those in this case?

A. A great many of them I did not make at all.

Q. Who did make them?

A. They were made by agreement with the chief engineer of the Ohio Commission.

Q. Let me ask you, didn't you make up a valuation of the property of the Cuyahoga Company of your own and didn't you submit and file that with this Commission as representing your best judgment of the reproduction cost of that property as of the date of the appraisal?

A. With the understanding that when you say "Cuyahoga Company" you refer to the Cleveland Division of the Ohio State Telephone Company?

Q. Yes.

A. And with the further qualification that as mentioned I did file such an appraisal, yes.

Q. And you filed it over your signature with this Commission?

A. Yes, sir.

Q. Representing the reproduction cost new of that property as of the date of the appraisal, didn't you?

A. Yes, sir.

Q. Now in respect of your Tri-State valuation experience the appraisal involved there was back in 1918, wasn't it?

A. 1918, yes, sir.

Q. And aside from the extent of territory involved there [fol. 4209] and here, was or is there any similarity between the conditions prevailing in the two cases; that is, the Tri-State case and the Cuyahoga case, and the conditions prevailing in the case at bar?

A. I don't know whether there is or not for the reason that I don't know what you mean when you say "similarity of conditions".

Q. Well, you have relied upon your experience, your appraisal experience, in those two cases as a part of your qualifications in this case; you have admitted that they represent the only two appraisals of any size of telephone properties which you have made; now I am asking you therefore whether the conditions were the same, the general conditions surrounding the property and the general cost conditions were the same in those two cases, except for the difference in wage scales, as those conditions were in this case as of 6/30/25?

A. Are you referring to cost conditions, or are you referring to inventory conditions, or are you referring to plant

conditions, or are you referring to financial conditions, or are you referring to labor conditions? Just what do you mean?

Q. Put it this way; you rely in this case on your experience in those two cases; what similarity was or is there between those two cases and the case at bar, warranting you relying on your experience there to qualify you as an appraisal engineer in this case?

A. The work of building up an appraisal of a large telephone property was involved in all three cases.

Q. Is that the only similarity that there was?

[fol. 4210] A. I don't know whether there were other similarities or not, because you have not yet told me what you mean by similarity of conditions, Mr. Burr. You will have to form your question so that it will give some premise upon which to base an answer.

Q. Did you make the valuation in all three cases?

A. Yes, sir.

Q. What dissimilarities were there between the conditions in those two cases and the present case?

A. I don't know because I don't yet know what you mean by dissimilarity or similarity. May I explain, for your benefit, that the work of making an appraisal is a very large undertaking and involves many, many different operations?

Q. Yes, it does.

A. And many, many considerations.

Q. Agreed.

A. And when you ask me if there was any comparable or similar conditions, I haven't the least idea what you refer to.

Q. Tell us the conditions which are involved in an appraisal of property such as The Ohio Bell Telephone Company, and the respect in which they were the same or differed in those two cases from the conditions here?

A. Are you referring to conditions as to results or——

Q. I am referring to any conditions that you please.

A. Read the question, please.

(Question read.)

A. They are dissimilar in one very important respect—in two very important respects, and the first of those two important respects is that I did not make an inventory of [fol. 4211] The Ohio Bell Telephone Company; I did make a very complete inventory of the Cleveland Division of the

Ohio State Telephone Company. I did make a most complete inventory of the Tri-State Telephone & Telegraph Company.

Another condition is that I did not make any examination of The Ohio Bell Telephone Company to determine depreciation. I did make very exhaustive studies of those two other properties to determine accrued depreciation.

Q. That hasn't anything to do with reproduction cost, has it?

A. I don't know whether it has or not because I don't know what you refer to yet when you say "conditions" and I was trying to help you. You asked me if there were any dissimilarities and I told you two very important ones.

Q. As a matter of fact, wasn't the inventory in the Cuyahoga valuation completed before you ever had anything to do with the case?

A. It certainly was not.

Q. You made it all, did you?

A. No, sir.

Q. How much of it did you make?

A. I cannot tell you that; part of it was made under my direction.

Q. Wasn't it almost completed when you took charge of the matter?

A. I don't remember that it was, and certainly there was no depreciation determined before I took charge of it.

Q. Now how did the soil conditions in the Cuyahoga valuation compare with soil conditions generally in the Ohio Bell territory in Ohio?

A. The City of Cleveland is largely sand; the Ohio territory would not be entirely sand, of course.

[fol. 4212] Q. And to the extent that it does not constitute, or is not represented, by sand, the digging in that soil would be more difficult than in Cleveland, wouldn't it?

A. On the average, yes, sir.

Q. In the Tri-State case approximately how much time or how many man days were required for the preparation of your appraisal, if you remember?

A. I should say a total of about five years.

Q. But aside from the inventory, the making of the inventory?

A. I cannot tell you that because the work went on coincident; the inventory was in progress at the same time the appraisal was in preparation.

Q. Well, would you say the appraisal part of it involved two years time?

A. More than that.

Q. How many men were engaged in the work, as you remember?

A. As I remember it, I wont be sure of the exact number, but as I remember it I had upwards of 100 people working for me.

Q. And the property involved in that case amounted to about $18,000,000.00, didn't it?

A. Something like that, but a large number of those people were engaged in field work, on inventory work, and making the examinations to report to me on depreciation. Another large force was involved in typing; I employed at one time, if I remember right, 22 typists.

Q. How many typists did you employ in the present case?

A. One.

Q. And how many men were in your employ in the making [fol. 4213] of the appraisal in this case?

A. One man.

Q. And the property involved here, according to your own estimation, exceeds $100,000,000.00, doesn't it?

A. Yes, sir, that is reproduction cost; to complete your question, though——

Q. Wasn't the reproduction cost involved in the Tri-State case approximately $18,000,000.00 and in the Cuyahoga case approximately $6,000,000.00?

A. I remember the Cleveland Division of the Ohio State Telephone Company had about 6¼ million dollars reproduction cost; I don't remember what the Tri-State case was; I have all those records in my office.

Q. Will you find that out and tell us, please, or else take our statement for it?

A. I think your statement may be close enough. It was something between 18 and 19 million dollars, as I remember it.

Q. Now in the Cuyahoga case you were appraising the Cleveland Division property of the Ohio State Telephone Company, formerly the property of the Cuyahoga Telephone Company, and that property as it now exists is owned by The Ohio Bell Telephone Company and is a part of the property involved in the present case, isn't it?

A. Yes, sir, it should be.

Q. And the Tri-State case was before the Minnesota Railroad and Warehouse Commission and involved the purchase by the Tri-State Company of a part of the property of the Northwestern Telephone Exchange Company, now the Northwestern Telephone & Telegraph Company; it also involved, did it not, the purchase by the Northwestern Com-
[fol. 4214] pany of a part of the Tri-State Company's property?

A. No, sir.

Q. Just what did it involve?

A. There was no purchase or sale or other considerations entered into the rate proceeding before the Minnesota Railroad & Warehouse Commission.

Q. You are quite right about that, but I was asking about the original part of your valuation in that case.

A. How is that?

Q. I was asking about the original part which you took in the Tri-State-Northwestern case, your office made an appraisal, did you not, for the purpose of purchase and sale?

A. I did not.

Q. Very well; then wasn't there at that time a purchase and sale as between the Tri-State Company and the Northwestern Company?

A. When?

Q. Shortly prior to the rate case to which you referred?

A. No, sir.

Q. Then, as I understand it, you testified to the value of the property of the Tri-State Telephone Company in 1918 in a rate case then pending before the Minnesota Railroad and Warehouse Commission; is that right?

A. I did, yes, sir.

Q. And that was in what year?

A. I don't remember.

Q. Now your costs applied in that rate case——

A. Pardon me; I may be able to enlighten you on the exact proceedure there.

I was employed by the Tri-State Telephone & Telegraph
[fol. 4215] Company to take charge of its rate proceeding then pending before the Minnesota Railroad and Warehouse Commission. That work was in progress and the purchase and sale negotiations were negotiated subsequent to that time. The work of making the appraisement for purchase

and sale was subsequent to the work of making the appraisal for the rate case.

You participated in both matters, didn't you?

A. I had full charge of both matters, yes.

Q. Now in the rate case you testified to the entire value of the Tri-State Telephone Company, did you not?

A. Yes, sir.

Q. Were the labor and material costs used by you in that rate case actually backed up by detailed unit costs as you claim the unit costs in the present case to be, or was the valuation there merely a high-spot one?

A. I do not just understand that question. Will you read the question, please, Mr. Reporter?

(Question read.)

A. The valuation was not, in the Minnesota case, upon what you choose to denominate a high-spot valuation.

Q. Then your unit costs applied in the valuation in that case were backed up by details, were they not?

A. Yes.

Q. And you there went into the component parts of your total labor costs in some detail, did you not?

A. To some extent, yes, sir.

Q. About 12 large volumes, I think, weren't there?

A. Of unit prices?

[fol. 4216] Q. Yes.

A. I don't remember; there was a total of 48 exhibits that I introduced in that case, but how many of them were unit prices, I do not know.

Q. Now in the Cuyahoga valuation there was involved, was there not, both city and rural property, located in the City of Cleveland, and its surrounding territory?

A. As I remember it, there was.

Q. And in your Tri-State valuation there was involved both city and rural property, located in the City of St. Paul and other cities and areas in the States of Minnesota, Wisconsin and North Dakota; that is true, isn't it?

A. Yes, sir.

Q. Did I understand that your Cuyahoga valuation was not prepared with the same detail in respect of your costs as were your costs in the present case?

A. I don't remember whether it was or not; I have not looked at it for a great many years.

Q. I see; how long since you have looked at it, if you please?

A. I couldn't tell you.

Q. Years?

A. I should say so, unless there has been some casual glancing at it.

Q. Merely to refresh your recollection, I will ask you to look at the volume bound in leather, marked in gold letters on the outside "Unit prices", and tell the Commissioner whether you recognize that bound volume as containing the details of your init costs in the Cuyahoga case?

A. I recognize the cover and I recognize the one group in here, but whether those figures in there are my unit [fol. 4217] prices or not I could not tell you.

Q. Well, will you take the volume—take the great trouble to take this volume and go through it and tell the Commission whether or not it does contain the details of your unit costs in that case, and if you do not advise the Commission to the contrary may we assume you are satisfied the book does contain those details?

A. Well, Mr. Burr, I haven't looked at the book yet.

Mr. Burr: Read the question, will you, please?

(Question read.)

Mr. Calland: When do you want him to advise the Commission?

Mr. Burr: Well, I suppose he might as well do it now. I imagine he can recognize this book as his; there is nothing made up about it.

Mr. Calland: Well, if he can, all right.

The Witness: The only way I can identify this book is to compare it with the original; I have the original in my files.

Q. Will you bring the original over this afternoon so that we may compare it?

A. I will see if I can find it.

Chairman Klinger: Hadn't you better let him have this to compare it with his?

Mr. Burr: Yes, we will let him have it.

Q. Will you do that in the noon hour?

A. No, sir.

Mr. Burr: Thank you.

Mr. Turner: It is physically impossible to do it in the noon hour.

[fol. 4218] Mr. Burr: I should imagine that a bound volume of costs of that sort could be almost immediately recognized by the man who made it up and worked with it as one of the actual volumes that he made.

Mr. Calland: If he made it last week that might be true but he made it several years ago and it might take quite awhile to compare it.

Q. Well, you will recognize your own figures, won't you, of details in that case—your own handwriting?

A. Yes, sir.

Q. Very well; we will pass that matter for the present. Where in this case have you prepared in any such detail as you did in the Cuyahoga case the labor unit costs applied by you in this case?

A. I don't know that I have prepared any such.

Q. You did not, did you?

A. I don't know whether I did or not.

Q. Didn't you in the Tri-State case prepare volume after volume of unit costs?

A. Yes.

Q. And didn't you in the Tri-State case prepare a set of tentative unit costs in the most elaborate detail, correcting those tentative unit costs and finally arriving at the costs applied by you in that case?

A. I first established tentative unit costs, yes, sir.

Q. And weren't they in a great detail?

A. Yes, sir.

Q. And you did not do that in this case, did you?

A. No, sir. There is a very good reason why I did not. [fol. 4219] It was not necessary.

Q. I see. Why wasn't it necessary?

A. For the reason that I have all of that knowledge and have made up a number of such schedules as that; the one made in Minnesota was prepared only upon the insistence of the Bell Telephone Company in Minnesota. Had it not been for that I would not have made up such an elaborate exhibit in that case.

Q. Very well. Now isn't it true that in the only two cases in which you have ever testified as a witness in a valuation case your testimony has been backed by details

of the labor costs showing how you arrived at your total labor cost in the greatest detail?

A. Yes, sir.

Q. That is true, isn't it?

A. Yes, sir.

Q. And where have you made up, if you please, in any other case, these lists which you say of costs which make it unnecessary for you in this most important case—I believe the most important case ever before this Commission—which make it unnecessary for you to do the same thing in this case?

A. Well, you start out by making a statement and then ask a question that does not refer to the answer that I formerly gave you.

Mr. Burr: Read the question.

The Witness: You asked me a question relative to preliminary unit costs and I gave you an answer as to preliminary unit costs; now I did not make any preliminary unit costs in the Cleveland case.

Q. But you prepared costs there in great detail, didn't [fol. 4220] you?

A. Yes, as I remember it.

Q. In ten times as much detail as you have in this case?

A. Oh, no.

Q. Oh, no?

A. Oh, no.

Q. Well, in how many times greater detail would you say you prepared them in that case than in this case?

A. I don't know.

Q. Didn't you think we were entitled to the details of your total labor costs in this case?

A. Why, I gave Mr. Williams volumes of details of unit costs.

Q. What details did you give of the pole labor costs?

A. I gave him the labor and the incidental costs, labor and incidental costs, as I remember it.

Q. And that is all the detail you gave on those pole costs, isn't it?

A. I would have to look at the volume that I handed him.

Q. Oh, why not look at it and let us find out now instead of all this indirection?

A. ——.

Mr. Turner: I think the question ought to direct his attention to it instead of criticising him for not looking at it when the question does not call for it.

Mr. Burr: I did not mean to ask him an improper question. I am very much interested in this matter.

Mr. Turner: So are we.

The Witness: The detail that I furnished your Company's engineers as to poles as the total direct labor, the incidental expense, which is a labor charge, the tool expense, which is a labor charge, supervision, which is a labor [fol. 4221] charge, and the sum is noted showing total labor.

Q. All right; now take just one of those items which you mention; are there not several operations involved in the item of labor, of handling and installing; aren't there?

A. You say several operations?

Q. Yes, work operations?

A. There are if you consider the digging of the hole and the erecting of the pole two separate operations, of course.

Q. Well, let us see if you did not—didn't you separate those in your Cuyahoga valuation?

A. I possibly did.

Q. Didn't you do it in the Tri-State case?

A. No, I did not.

Q. Very well; are you sure of that?

A. Yes.

Q. I am not trying to trip you; I just want to get the facts, and if I come back and ask you the same thing over again it is very often because I think you have made a mistake in your answer and I want to give you a chance to correct it. You say you are sure you did not do that in the Tri-State case?

A. I did not do it in the Tri-State case.

Q. Do you recognize this volume marked at page 68 "Preliminary unit costs, exchange line construction" as your unit costs used in the Tri-State case?

A. For the purpose of answering your question, I recognize it, yes.

Q. We will give you plenty of opportunity to check it.

A. That is the preliminary unit cost schedule that I set up.

[fol. 4222] Q. Right, and you furnished to the Commis-

sion in detail such a separation of the total unit costs as is included in the items of yard work, brush treating, distributing, locating and digging and setting both treated and untreated poles, didn't you?

A. In my unit costs applied to the inventory quantities of the Tri-State property I did not.

Q. You built up first tentative reproduction costs which you filed with the Commission, didn't you?

A. Yes.

Q. And this volume which we have seen includes those?

A. Those are tentative unit costs; those are not my unit costs that I used in the appraisal.

Q. But you just simply modified those tentative costs in your appraisal, didn't you?

A. Certainly not.

Q. Why did you file these with the Commission?

A. They were filed with the Commission with a full explanation that those unit costs were established for the purpose of analyzing the closed estimates of the Tri-State Telephone Company, and you will find that explanation in the front of the volume.

Q. And in accordance with that analysis of the work orders, didn't you modify your tentative labor unit costs in that case?

A. No, sir, I did not use the results of the work orders in that case.

Q. Well, why did you analyze those work orders and completed work estimates?

A. For the purpose of getting definite local information as to what the cost was as incurred by the Tri-State Telephone Company in its construction operations.

[fol. 4223] Q. When you made up these tentative unit labor costs in all this detail, which you have not supplied and which you said you cannot supply in the present case, what was the purpose of filing those detailed costs with the Commission?

A. To convince the Commission of the reasonableness of the analysis made of the work orders.

Q. Have you filed any such costs with this Commission in this case?

A. No, sir.

Q. You have not, have you?

A. No, sir, I have no preliminary unit costs.

Q. Will you state under oath that you did not modify these total tentative labor unit costs that I have just shown to you in accordance with the analysis which you subsequently made of the Company's completed work order in that case?

A. Well, now, you are asking a different question, Mr. Burr.

Q. Very well.

A. I used the total as shown in my preliminary unit prices as a basis upon which was computed the unit prices that I used in my appraisal. The bases was used in a number of different ways and in a great many instances the bases as revealed in the tentative unit prices were increased or decreased after my study of the actual construction costs in that property to produce the unit that I used in my appraisal.

Q. And did you do that in this case?

A. No, sir.

Q. Why did you change your preliminary or tentative unit costs in that Tri-State case?

A. To come as closely as could be within reason to the [fol. 4224] experience of the Company in that particular territory.

Q. Now considering your Cuyahoga and Tri-State appraisals together for a moment, you evaluated there the pole line properties, city and rural, taking into consideration such conditions as the kinds of soil to be encountered in the reconstruction of those pole line properties, didn't you?

A. Yes.

Q. And also in those appraisals you considered such conditions as the trench costs for the kinds of soil encountered and the paving bases for paving over conduits, and you have also undertaken to consider such conditions in arriving at your valuation in the present case, haven't you?

A. Yes, sir.

Q. You also evaluated in those two cases the costs of aerial wire in place, including open aerial wire and drop wire and aerial cable and right of way and underground cable and submarine cable and underground conduit and interior block wires, and you have undertaken to evaluate

the costs of similar properties in this case, have you not?

A. I think so, as I got the titles as you read them; I appraised all of the property in its various plant accounting designations of the Tri-State Company, as was also done here.

Q. And in arriving at your costs in the Cuyahoga and Tri-State valuations you also took into consideration such circumstances as the number of gangs required to reproduce the property involved there; also the number of men per gang, their performance in terms of man hours or man [fol. 4225] days and the necessary direct labor and supervision; material costs and the necessary incidental expenses, stable and garage expense, tool expense and supply expense, as you claim to have done in the present case?

A. I made up unit prices in both cases, of course.

Q. For all of those elements of value?

A. And perhaps some others; I don't know whether you read them all or not.

Q. But for those at any rate; is that true?

A. I think so.

Q. So that also in respect of the undistributed structural costs, which for the purpose of brevity we will term general overhead costs, in those two cases you computed the necessary amounts for the items of interest during construction, taxes during construction, insurance during construction, preliminary costs, administration, legal costs and omissions and contingencies, and you also have made what you claim to be the proper allowance for at least some of those items of cost in the present case, haven't you?

A. Yes, sir.

Q. In those two cases you also calculated the item of working capital, including supplies, and you have undertaken to name an amount for that item in the present case, have you not?

A. Yes, sir.

Q. In your Tri-State case to what extent were the costs to which you testified and swore to before the Commission costs prepared by the Northwestern Company and not by you?

A. I don't know that any of them were, Mr. Burr, as [fol. 4226] to the Tri-State property.

Q. They were all your costs?

A. Yes, sir.

Q. Do you remember what proportion of the property involved in the Tri-State case was city and what was rural?

A. No, I do not.

Q. Do you remember what proportion of it was toll and what proportion was exchange?

A. I do not.

Q. Well, there was both city and rural property and there was both toll and exchange property in that case, I think you have heretofore testified?

A. Yes, sir.

Q. I am not sure that I remember what you said in answer to one of the previous questions, and I am not quite sure that question was asked you exactly in this way; how many telephone properties, either in Ohio or anywhere else in the United States, have you ever appraised with the particularity which you have the property of The Ohio Bell Telephone Company in this case, or which you did in respect of the Tri-State or Cuyahoga properties?

A. Read the question; I do not understand your "particularity" there.

Chairman Klinger: What he wants to know is whether you have appraised any other properties with the detail you have these, or any of these?

By Mr. Burr:

Q. Any other telephone property in the United States?

A. The only properties that I have appraised, as appraised in this manner, if you refer to the manner in which the Cuyahoga appraisal was made or the Tri-State appraisal was made or the Ohio State appraisal was made, that is all; that completes the list.

[fol. 4227] Q. You have not made a detailed appraisal of any other commercial telephone property, have you?

A. Oh, yes.

Q. Well, let us have them.

A. I made all the appraisals which were made of the Ohio State Telephone Company while I was in charge of that work.

Q. You say "all of them"; how many were there?

A. I don't know.

Q. Wasn't there only one other besides the Cuyahoga?

A. I could not tell you that; I do happen to remember another; I think it was designated the Columbiana County Company.

Q. There wasn't any other one during your experience with that company, was there?

A. I don't remember; I think there was.

Q. Did anybody set up any detailed costs for the appraisal of the Columbiana property?

A. How?

Q. Did anybody in your organization or did you yourself set up any detailed costs for the appraisal of what is known as the Columbiana County appraisal?

A. I don't remember.

Q. Now you cannot tell us any other one besides the Columbiana Telephone Company appraisal in addition to the Cuyahoga and the Tri-State and the Ohio Bell appraisals, can you?

A. I won't be sure, Mr. Burr, but I think I made a detailed appraisal of the Springfield appraisal.

Q. Now wasn't that a high-spot appraisal?

A. I don't remember.

Q. All right.

Mr. Turner: For our benefit we would like to know what [fol. 4228] is meant by "high-spot appraisal"; let us get a definition of this word that you use, so counsel can understand what you are talking about.

Mr. Burr: A high-spot valuation is one where, instead of setting up detailed unit costs, labor and material, with the details comprising each total labor cost, the property is appraised on the basis of its per station value, or some other broad unit.

Mr. Turner: In other words, it is one that is put up for the purpose of rate making without too many details?

Mr. Burr: No, sir, it is never used in a rate case as far as I know, but it is often used by bankers and people who want to get an estimate of the over-all value.

Mr. Turner: It is not an accurate appraisal?

Mr. Burr: No.

Mr. Turner: And it is usually a high appraisal, isn't it, as well as a high-spot?

Mr. Burr: No; it may be very low.

Mr. Turner: It may be, but it is not usually, is it?

Mr. Burr: Well, I think it depends usually upon the answer that——

Mr. Turner: On what you are going to do with it?

Mr. Burr: The seller probably would like to make it as high as possible and the purchaser as low as possible.

Mr. Turner: And those are the kinds of appraisals you call high-spots?

Mr. Burr: Yes, sir.

Mr. Turner: Appraisals of convenience?

[fol. 4229] Mr. Burr: They are appraisals of convenience and yet I think bankers and people sometimes base their judgment on whether or not they will purchase a property on just such appraisals.

Mr. Turner: Well, they do that like horse traders to some extent.

By Mr. Burr:

Q. In connection with your valuation of the Tri-State property, how much of the property did you personally inspect and see; quite a good deal of it, didn't you?

A. Personally—see for what purpose?

Q. Well, I am not asking for what purpose; I say what part of it did you personally inspect and see in connection with your valuation?

A. I cannot tell you that, Mr. Burr. The years I was there I was more or less in the field with my inventory crews, and after the inventory was made I was more or less in the field with the crews on the determination of depreciation.

Q. Where and when and to what extent, either in Ohio or elsewhere, have you ever timed the work of men engaged in telephone construction or installation and with what results?

A. I never timed any.

Q. How much Ohio Bell property did you personally inspect for the purpose of arriving at the character of the property appraised in this case?

A. Oh, I should say a very considerable portion of it; I have been familiar with telephone property in Ohio all my life,——

Q. Oh, so have we all.

A. Will you let me complete my answer, please?

[fol. 4230] Q. Excuse me.

A. And I naturally note the work in progress of the Ohio Bell Telephone Company here and in other cities; I note the plant and characteristics of it; I note the way the construction work is done, and I made some particular observation at the time I was working on this appraisal.

Q. Where and when did you make those observations?

A. I made the observations in Columbus; and when, I could not tell you exactly.

Q. How many days did you put in on that sort of work?

A. I did not put in any days on that kind of work; those observations were made currently from time to time; no one day devoted to that purpose.

Q. And just casually, as you happened to be going about the city?

A. As I was going about the city, but not casually.

Q. Did you make any notes of the property?

A. In every case, mental notes.

Q. Oh, mental notes?

A. Not written notes.

Q. I am sorry we cannot put your head in the record, Mr. Allensworth, so will you tell us what sort of notes they were—oh, never mind; that is withdrawn. Where and when in Ohio since 1917 have you ever analyzed construction or installation costs of telephone outside property?

A. Since 1917?

Q. Yes.

A. The only analysis that I made was the costs reported to me by your appraisal engineers in this case.

[fol. 4231] Q. With the exception of the Tri-State property, where and when did you make any appraisal of the property of any telephone company in the United States between the years 1917 and 1928?

A. I did not make any in that territory excepting the Tri-State. One very important reason was that I was totally employed on the Tri-State matter and did not have time to make any other appraisals during my employment.

Q. With the exception of the Tri-State case, what analysis have you made of telephone costs in any place in the United States between the years 1917 and 1928?

A. The Ohio Bell Telephone Company costs as reported to me by your appraisal engineer.

Q. That is the only one?

A. Yes, sir.

Q. Did you make any use of that analysis in the preparation of your unit costs in this case?

A. No, sir; I reported that analysis in the record in what has been marked Allensworth Exhibit No. 2, I believe, and in making that analysis just reported in Allensworth Exhibit No. 2 I did make studies and computations on the labor costs alleged by the Company's engineers.

Q. Well, if you have not analyzed the actual construction costs of any telephone property in Ohio since 1917 except the costs of the Ohio Bell Telephone Company; if you have not analyzed the costs and experience of telephone companies outside of Ohio since 1917, excepting in the case of the Tri-State Company; if you have had no personal charge of any construction or installation of, or made any [fol. 4232] valuations of any telephone properties in Ohio since 1917, what are the sources of information which you used in the fabrication of your unit costs in this case?

A. My knowledge, and which knowledge is the result of my experience in construction work and in appraisal work.

Q. I suppose you will say then that in respect of your outside plant costs to which you have testified in this case, those costs represent your judgment of the cost to reproduce the various items of outside plant to which your costs apply, will you not?

A. Yes.

Q. Now you have also said, I believe, that that judgment is based on your cost experience in respect of those items of plant, haven't you?

A. What do you mean by "cost experience"?

Q. Experience of yourself in costs comparable with those which you have applied in this case?

A. No, sir; I said those costs were the result of my knowledge of costs.

Q. Very well; now on what is your knowledge based?

A. My personal experience as actually constructing various kinds of plant and the studies I have made of costs.

Q. Then as I understand you, you want this Commission to understand that the costs applied in this case by you reflect your cost experience in other telephone construction; is that correct?

A. No, sir, that is not whay I said.

Q. Very well.

A. Although that is true.

Q. That is true?

A. Pardon me; what I said to the Commission was that the costs that I used in this appraisal is my knowledge of [fol. 4233] costs in the circumstances under which this appraisal was made, namely, as of June 30th, 1925.

Q. And of course that knowledge must be backed by experience, must it not?

A. Yes.

Q. If not, your judgment and your knowledge evidence would become merely opinion evidence, unsupported by facts, wouldn't it?

A. I have already given my record as to my knowledge and experience.

Q. As I understand you then the costs which you have used in this case reflect your actual cost experience?

A. They reflect my knowledge of costs.

Q. Have you any knowledge of costs that are apart from experience?

A. Yes.

Q. Where does it come from?

A. Studies that I have made of costs and have been continually making for a matter—I think the first appraisal I made was in 1907.

Q. Then doesn't it come to this, that your judgment in this case must be based upon your own costs or the cost experience of somebody else?

A. Yes, sir.

Q. Now, generally speaking, isn't a unit cost for a given item of plant an amount representing the summ of the labor and material and direct collateral costs necessary to produce that item in place as of a given date?

A. That would be in a great many cases a definition of a unit, yes, sir.

Q. Well, doesn't that entirely define a labor unit cost; would you add anything more to the definition, a total [fol. 4234] unit cost?

A. With the understanding that you are now talking about unit costs of telephone outside plant, I should say it would, yes, sir.

Q. And is not the labor portion of such a unit cost arrived at, first, by considering the number of man hours

or days or the amount of time necessary to reproduce that item, and, second, by multiplying that number of hours or days or amount of time by the then effective wage rate or rates for such work?

A. Read the question.

(Question read.)

A. Not necessarily so, no, sir.

Q. Why not?

A. There are many other methods of building up unit costs; one may be just as good as another; it depends on circumstances.

Q. Now the engineers of the telephone company have for some time been endeavoring to learn from you the method of building your labor unit costs in this case; will you please tell the Commission just exactly how you arrived at them, even if it takes two hours?

A. Well, if you wish to defer that until after lunch I think I can make a continuous discussion of it. We haven't very much time now.

Q. You can have just as much time as you want on it.

(No reply.)

And thereupon a recess was taken until 1:30 o'clock P. M. of same day.

[fol. 4235] Afternoon Session

Wednesday, August 15th, 1928.

And also HARRY R. ALLENSWORTH, resuming the stand for further cross-examination, having been heretofore duly sworn, continued his testimony as follows:

Cross-examined by Mr. Burr:

Chairman Klinger: You may proceed.

Mr. Burr: There is a question pending.

Commissioner Huffman: Read the question, please.

(Pending question read.)

The Witness: I interpret that question to require a somewhat extended discussion of unit costs and the method of compilation of unit costs.

Q. Not necessarily. We have asked you how you compiled your unit costs in this case; it does not require any dissertation on the theory of it.

A. I shall attempt, in making my answer, to be as brief as I may be, and yet full enough in my answer to give the Commission a comprehensive understanding of just how I built my unit costs, the facts underlying those unit costs, and furthermore the reasonableness of the assumptions upon which they are erected.

Going back to the question asked before this last question by counsel for the Company, as to whether or not the as- [fol. 4236] sumption of the labor performance at a given wage rate was not ordinarily the basis of unit costs, it is my understanding that The Ohio Bell Telephone Company have never built up any such unit costs and presented them in an appraisal.

Q. That is because their unit costs reflect the actual experience of the Company, isn't it?

A. No, sir; if they did do anything like that in this instant case, I have been very sorely misinformed by the engineers of the Company, and the unit prices submitted by the Company are very grossly misrepresented.

The methods followed by the Company, as I understand those methods,——

Q. Now, Mr. Allensworth, I do not want to interrupt you unnecessarily, but we are not asking you anything about the methods followed by the Company. We asked how you arrived at the unit costs used by you in this case.

A. That is the question that I am answering.

Q. Excuse me for interrupting you.

A. In answering that question I choose to explain that the Company, in building up its unit costs, claimed to have made some investigation and some analyses of records of what they call their actual performance, which actual performance comes to the appraisal engineers of the Telephone Company in terms of one factor only, and that is dollars. These work orders are completed; they show the amount of work accomplished. Report is made by the foreman; he shows the number of men employed in the work, or he— [fol. 4237] I don't know whether he does or not—and the sum total of the expense charged to that particular job; it does not necessarily follow, although it may, that that is the particular and the exact number of dollars of expense actually incurred in that particular undertaking.

Q. Before you proceed further, let me ask you this; do you want this Commission to understand that the experience

reports of the Company examined by its appraisal engineers do not show the amount of work——

A. No, sir.

Q. In terms of the plant construction, units of plant construction, as well as in terms of dollars?

A. I do not wish them to understand anything of the kind; I said that the result of the plant construction and the result of the work comes to the engineers in terms of dollars.

Q. Well, do you mean to say it does not come to them in terms of units of plant?

A. No, I do not.

Q. Well, then why do you say it comes to them in terms of dollars?

A. Because that is the only way it does come to them.

Q. Well, that is just what I asked you before; do you mean to say it does not come to the appraisal engineers in terms of units of plant constructed?

A. I do not say that. What I am saying is that the units of plant constructed and the construction cost thereof comes to your engineers in one term only, in terms of one factor only, and that is in terms of dollars.

Q. I don't understand you yet.

Mr. Turner: If the Commission please, I do not like to [fol. 4238] interrupt the cross-examination, but I do think he should be permitted to answer, and then counsel can cross-examine on the answer as given. Let us have the answer to this pending question.

Chairman Klinger: Well, he wants an explanation is all.

Mr. Turner: Well, that leads into one thing and then another and we get away from this question which he was answering.

Chairman Klinger: Proceed.

The Witness: It is true, as I understand these reports, there is shown on there the number of plant elements placed; that would be, in the case of pole work, the number of poles placed and the number of crossarms placed and the amount of wire placed or cable erected and the number of cable terminals erected, if any, and the total cost of that work is reported on this closed estimate or work order, so to speak. Insofar as I know there is no designation on these work orders or on these completed estimates of the amount of work accomplished by any one man in any one day or any one crew in any one day. Therefore the practice

followed by The Ohio Bell Telephone Company in building up its unit prices as submitted in this case is the result of examining the dollars cost of certain construction work, converting that into dollars cost per unit by analyzing it against a previous appraisal. There is, to the best of my knowledge, no investigation made as to whether the dollars costs incurred by the Company are reasonable or unreasonable; whether or not these crews in their day to day performance perform a reasonable amount of work; whether they perform an unreasonable amount of work. That is one method, and the method, as I understand, pursued by the Company in building up unit prices. It leads to many inconsistencies.

[fol. 4239]

Q. I am not asking you to criticise the method of valuation pursued by the Company in this case; I am asking you how you arrived at your labor unit costs in this case.

A. That is the question that I am answering.

Q. No, you are not; excuse me; if I understand fairly elementary English, no, you are not answering that question, and I appeal to the Commission to determine whether or not he is answering the question which I have several times propounded to him, namely, how he arrived at the unit costs applied by him in this case.

A. Begging your pardon, Mr. Burr, and with no malice whatever, I grant you that you may thoroughly understand the English language, but you do not understand how I built up my unit costs, and that is the answer that I am giving.

Q. I certainly do not understand it. Please tell us. That is what I am asking you.

A. I am trying to make that clear to you.

Chairman Klinger: I suppose he must finish his answer. Go ahead.

The Witness: As I was saying, the method employed by the Company in this case results in many inconsistencies and——

Mr. Burr: I move to have the answer stricken out. It [fol. 4240] has nothing to do whatever with my question.

Mr. Turner: Let him complete his answer. If he does not make it relevant you can move to strike it out.

Chairman Klinger: Let him proceed, go ahead and finish it.

The Witness: That is one method of erecting unit costs and is one of the methods and is one of the considerations attached to my determination of unit costs in this case. I studied the methods very carefully from all the information that I had at hand and from the additional information that was given me verbally by the appraisal engineer of The Ohio Bell Telephone Company.

Q. There are other methods of erecting unit costs which I should like to explain.

One method that is sometimes used is to have a schedule of labor performance in terms of gang performance per day or per hour or per week, whichever it may be, and knowing the performance, that may be converted into the cost per unit on the basis of any wage rate in the gang, expressed in terms of one cent per hour cost. When one has in his possession such unit costs as that, and with adequate understanding being had of the performance, and all of the factors that have gone into the making up of such schedule, bringing forward, etc., the making of a unit cost in that schedule is a very simple process. It means extending the cost on the basis of one cent per hour or one cent per day against the then prevailing wage rate of one cent per hour or one cent per day. That is a well-known and recognized method of building up unit costs in [fol. 4241] organizations other than the Associated Bell Companies.

Another method that is used, and used to some extent by myself, is what might be termed the reverse of what is—the method that is followed by the Bell Telephone Companies, and that would be this; instead of having a schedule of wage rates and a schedule of man hour performance or gang day performance of labor performance of any expression whatever, to know from studies of conditions, first, what the wage level to be applied to the unit cost schedule is to be; secondly, to determine——

Q. Will you repeat that last, please?

(Answer read.)

The Witness: The cost per unit of each particular kind of plant based on that wage level, which determination is of course the experience and the knowledge of the appraiser; when such unit cost is determined, then to guarantee and assure the accuracy of the appraiser's judgment,

they may be analyzed by methods similar to that employed by the Bell Telephone Company by using a schedule of tentative unit prices or using some previous schedule of unit prices as applied to some appraisal. The latter method, as I understand it, is one followed by the Ohio Bell Telephone Company in making its analysis of so-called actual performance cost.

I wish to at this time depart for a moment on the subject in hand specifically——

Chairman Klinger: Just a moment. I think counsel is [fol. 4242] entitled to have his question answered first.

The Witness: Well, this is all part of the answer.

Chairman Klinger: I know, but it is neither here nor there. That is counsel's right, to have his question answered.

The Witness: I am answering the question, if Your Honor please.

Chairman Klinger: How?

The Witness: I am answering the question, if Your Honor please.

Chairman Klinger: Well, answer his question; what method did you adopt?

The Witness: I haven't come to that yet.

Chairman Klinger: Well, start at that then.

The Witness: I cannot start it until I have explained all these methods because I used all of them.

Chairman Klinger: Well, just proceed and tell what you did.

The Witness: I used all recognized methods of building up unit prices.

Chairman Klinger: Well, that is an answer then.

By Mr. Burr:

Q. Is that the best answer you can give?

A. No, sir; the Commission stopped me from giving a complete answer.

Chairman Klinger: The Commission did not stop you at all. You, up to this time, have been talking about what The Bell Telephone people did, and not what you have been doing. Now I would like to have you tell what you did to [fol. 4243] build up your unit costs.

The Witness: I used all of these methods, if Your Honor please.

Commissioner Huffman: Do you mean your method was a composite of all these methods?

The Witness: Yes, sir.

By Mr. Burr:

Q. Now just take a 30 foot Class C cedar pole, for which you give a labor cost of $4.474, and tell this Commission, first, whether or not that labor cost does not include the cost of gaining, stepping, shaving, roofing the pole, hauling it to the place of erection, digging the hole for it and the cost of erection; isn't that right?

A. It does not include stepping.

Q. All right, we will leave the stepping out. Then it includes all the other elements?

A. Yes, sir.

Q. Now how did you arrive at that cost of $4.474 for that kind of a pole in place? And give this Commission the amount of money it cost, represented by each one of those component parts, of that total job in place?

A. The amount shown in my schedule of unit costs for a 30 foot Class C exchange pole, which amount of labor is shown at $4.474, is my determination of the cost of erecting and placing that pole in the plant in the average of conditions as to soil and erecting conditions obtaining throughout the property of The Ohio Bell Telephone Company in the State of Ohio. That determination is an expression of my knowledge, my determination, as to what it would cost me if I were to do that work or if it was to be done under [fol. 4244] my supervision, to install that pole.

Now, answering your other question, Mr. Burr,——

Q. You have not come within one thousand miles of answering the question yet. You have not answered it at all. I asked you how much of the $4.474 represents the gaining, shaving, hauling, erecting, stepping and digging the hole for that pole. You say it does not include the stepping, and I say "All right, leave out the stepping," but tell us those costs for the other component labor costs making up your total cost of $4.474, if you please.

A. I do not want to argue with counsel for the Company, but the first part of the question was how I determined the $4.474; that is the part of the question I was answering, and then you interrupt me and tell me I am not answering your question.

Q. You were kind enough to give us the $4.474 weeks

ago; what I am asking is to break it up or break it down if you please, into its component parts.

A. After having determined on the $4.474 as being the fair and reasonable cost of erecting a pole under the circumstances that I have recited, analyzing that back as to how much is provided therein for the various operations as enumerated by counsel for the Company, I find that for the yard work, which is the gaining and the boring of the pole, there is 64½ cents.

Q. Thank you.

A. And for the cost of distributing, which was not mentioned, as I remember, by counsel for the Company, I have allowed 53.8 cents.

Q. Is that including hauling it to the place of erection from the pole yard?

[fol. 4245] A. Yes; and for the cost of locating and digging the pole hole, I find that amount is sufficient to allow for that particular work, $1.484; and for the cost of setting, the amount that I assigned to this particular pole will provide for a setting cost of $1.108.

Q. Did you have those details at the time when the Company's engineers asked you for them shortly after your direct examination in this case?

A. I did not.

Q. And they asked you for them and you told them you did not have any details, didn't you?

A. Yes, sir.

Q. In other words, in this case——

A. Pardon me——

Q. Well, just a moment——

A. Pardon me; the Company's engineers at no time asked me for that kind of information.

Q. Didn't they ask you specifically if you did not have these details to which you are now referring or any details at all which you choose to name backing up that $4.474 for a typical Class C 30 foot cedar pole, and didn't you tell them at that time you did not have them?

A. If they made any such request I did not so understand it. The request made, by Mr. Williams and Mr. Schneider, as I understood them, was for the detail upon which I had erected that $4.474.

Q. Well, what is that but these details we have been talking about?

A. This is the detail, the result of the analysis, to prove the reasonableness of the $4.474.

Q. Oh, then you did not have these figures at all when you testified to that cost in chief in this case, did you?

A. Yes, sir, I had them in part, but not in this form.

[fol. 4246] Q. Where were they?

A. In my file cases.

Q. Why didn't you give them to Messrs. Williams and Schneider when they asked you for them after this hearing?

A. I did not have them at that time.

Q. In other words, when you testified to your total labor cost for that pole in place you did not have any details and you have since made up those details by dividing that $4.474 into what you believe to be reasonable component parts; isn't that right?

A. No sir, that is not true and that is not what I said.

Q. Put it this way then; in other words, you had your total labor cost at the time you testified but you did not have any details and these details have been made up by you since you testified; isn't that true?

A. No, sir, it is not true; I made up these unit costs and I made such analysis as I deemed necessary to prove to me the reasonableness and the accuracy of the determination.

Q. Oh, that is just words.

A. It is not words. But I did not have the complete schedule of analysis that I have before me at this time; I did not have any such analysis at the time the request was made by Mr. Williams and Mr. Schneider.

Q. How did you know that the total cost was $4.474 if you did not know then the component parts of which that $4.474 is the sum?

A. That was my determination from my knowledge of pole costs.

Q. And that knowledge of pole costs was based on what experience in respect of any company as to a 30 foot Class [fol. 4247] C cedar pole in place?

A. Based on my lifelong experience in connection with telephone and telegraph work and my analysis of costs.

Q. All right; now will you tell us where and when any company in the State of Ohio has experienced a cost of $4.474 as of June 30th, 1925, for the labor cost of a Class C 30 foot cedar pole in place?

A. I don't know of any such company and I have not at any time in my testimony, nor do I now, claim that this is

the cost of any particular company. If you please, this is my opinion and is the amount I would estimate if I were the engineer in charge of construction and the amount I would budget for the erection or installation of a 30 foot Class C pole.

Q. Well, you did determine your $4.474 as an entirety for that pole in place before you determined the details of the labor costs involved for that pole in place, didn't you?

A. Before I made the analysis for the de[illegible]ls, yes, sir.

Q. Which one, if any, of these figures for yard work hauling, digging and setting, that you have just given, did you have at the time of your testimony in chief?

A. I think I had—I had them all for a 30 foot Class C pole.

Q. Then why didn't you furnish them to Mr. Williams and Mr. Schneider when they asked you for them not only once but two or three times, Mr. Allensworth?

A. As I told you Mr. Williams never asked me for any such information, as I understood him, and consequently I did not have that information for the full schedule of the [fol. 4248] pole prices. I analyzed to satisfy myself as to the accuracy and the fairness of the amounts that I used, but that does not mean, and I do not want you to understand, and I don't want the Commission to understand, that at the time I testified and at the time I talked to Mr. Williams that I had fully completed this entire analysis.

Q. Didn't Mr. Williams and Mr. Schneider ask you if you had any details supporting your labor costs used in this case not only in respect to this particular pole but all of your labor costs, and didn't you tell them at that time that you had not?

A. They asked me for the detail upon which I had built my unit costs and I told them I had none, and I am telling you today I had none.

Q. All right, we will let it go at that. Now then in your Tri-State case though and in your Cuyahoga case, before you testified to your costs you did have details, didn't you?

A. No, sir.

Q. Showing these different elements of costs concerning which I have asked you?

A. No, sir, only in some cases.

Q. But you did have them in a lot of cases, didn't you?

A. In some cases.

Q. Didn't you build all of your tentative costs in the Tri-State case and the Cuyahoga case both on the basis of component costs for each of these different operations that I have spoken of before you testified to the total labor costs?

A. You are talking about something else, Mr. Burr. You talk of my unit costs that I used in the Tri-State case and [fol. 4249] then jump over and say in my preliminary costs; the preliminary costs did not appear in the appraisal.

Q. You had though in those cases the details of labor costs in all of your tentative costs, didn't you?

A. In the tentative costs, yes, sir, upon which I analyzed the construction account.

Q. And you only modified the total of those costs, didn't you, when it came to using the actual costs applied by you in the case; isn't that all you did? You can answer that by yes or no.

A. I would not call it modified; I corrected the total.

Q. But those costs were all based on these details as a starting point, weren't they?

A. No, sir, they were based on the records of performance.

Q. Of the what?

A. Records of performance, construction performance.

Q. Then you modified them for the wage scales later, didn't you?

A. How?

Q. Well, you built up your tentative unit costs on the basis of performance, do I understand you?

A. Yes, sir.

Q. And then you modified them in what respect?

A. The first adjustment was made to bring the tentative unit prices up to the then prevailing wage rates.

Q. And then what else?

A. And then they were corrected to meet the performance that I determined upon after having made the analysis of the actual performance of the Company.

[fol. 4250] Q. How much of a correction was that?

A. The corrections were positive and negative; there were subtractions made in some cases and additions made in other cases, but in no case did I use the amounts revealed by the records of performance of the Tri-State Telephone Company.

Q. Did your average——

A. What I intended to explain, if I had been permitted to proceed with my explanation of unit prices, was that the first step in any such analysis is based on a test as to the reasonableness of the actual cost experienced and revealed in these work orders, and that was the first step that was made in the Tri-State case and in all other cases I have had anything to do with. After having made the analysis, then the next question is to determine whether or not the analysis proves the reasonableness or unreasonableness of the costs incurred.

Q. And what is your standard of measurement to determine the reasonableness or the unreasonableness?

A. My knowledge.

Q. And on what experience is that knowledge based? In other words, where, again, if you please, have you ever experienced a cost such as the one you applied to that 30 foot Class C cedar pole in this case?

A. That is the amount that I say I would experience if I was going to reproduce this property as of June 30th, 1925.

Q. Why do you say that is the amount as against some other amount?

A. Because my knowledge and experience dictates it is the proper amount.

Q. You cannot have any knowledge apart from experi-
[fol. 4251] ence, can you?

A. Yes, depending upon what you call experience.

Q. Give us, if you please, any instance—I will ask you that question—where you have experienced that kind of a cost for that kind of a pole in place?

A. I never experienced the erection of a 30 foot Class C pole in any Ohio point as of June 30th, 1925; consequently I have no comparable amount.

Q. Now then considering your knowledge as apart from your experience, tell us where you have any knowledge of that kind of a pole being erected in the State of Ohio at that kind of a cost as of 6/30/25?

A. My knowledge is the general knowledge of the erection of poles in the Ohio territory.

Q. Do you know of any pole being erected at that kind of a cost in Ohio as of that date?

A. I know of a lot of poles being erected in Ohio for less than that.

Q. 30 foot Class C cedar poles?

A. 30 foot six inch top poles.

Q. I am asking for a 30 foot Class C cedar pole such as appears in the property of The Ohio Bell Telephone Company?

A. Nobody erected Class C poles up to a few years ago but The Ohio Bell Telephone Company and The Western Union Telegraph Company.

Q. Then where did you get your knowledge of the costs to erect that kind of a pole as of the 30th of June, 1925?

A. It is my knowledge based upon my experience and studies of costs.

[fol. 4252] Q. Now give us an example where that kind of a pole has been erected in Ohio for less than a labor cost of $4.474 as of June 30th, 1925, or thereabouts?

A. Well, as I said before, I have no records of a pole being erected on that date.

Q. Well, but I said as of about that date, Mr. Allensworth?

A. Or as of about that date.

Q. You said awhile ago you knew of it?

A. I said I knew, not as of that date; I beg your pardon.

Q. Well, all right; as of what date do you know of the erection of a pole of that kind at that total labor cost?

A. The knowledge that I have of pole erection costs in the State of Ohio converted to the wage rates and conditions as of June 30th, 1925, would support this $4.474.

Q. Now wait a minute—all right; give us the case, where and when?

A. That is my knowledge of conditions and pole erecting operations.

Q. Can you give us a single experience upon which you base your claim?

A. A specific pole?

Q. Yes, and the company and place?

A. Of course not, and you of yourself and your own knowledge as counsel for The Ohio Bell Telephone Company know, or should know, certainly, before you know anything else about unit prices, that your engineers or no other engineer or I as an engineer claim or attempt to claim that $4.474 is the cost specific of any particular pole set in place any time, or to be set in place at any time. That represents the average cost of poles set throughout the State in [fol. 4253] average Ohio conditions.

Q. All right.

A. And of the average of the Class C poles.

Q. All right; give us the 30 foot C poles in Ohio from which you have arrived at this average cost of $4.474?

A. That is my general knowledge throughout my life of construction operations.

Q. Can you give the time or the place when any of these poles averaging a cost of that much were placed?

A. You are talking foolish, Mr. Burr; there were no poles that I know of set on June 30th, 1925.

Q. I don't care a hoot about that. I am asking you to tell us where and when the poles were set from which you arrived at the average of $4.474 as to total labor cost of the pole in place?

A. All over Ohio and throughout my entire experience.

Q. All right; tell us where in Ohio?

A. Generally all over the State.

Q. Is that the best you can give?

A. Yes.

Q. All right. Now I ask you for one single specific instance and then we will quit on this subject.

A. One instance of what?

Q. Of a pole cost substantiating your cost of $4.474?

A. Mr. Burr——

Mr. Turner: Just a minute—just a minute; we object to that because you cannot have a single instance that establishes an average.

Mr. Burr: You are right, Mr. Attorney General; I [fol. 4254] thought about it after I had fully launched the question.

Q. Let us have the cases which within your knowledge establish the average cost of $4.474 for that kind of a pole in place?

Mr. Calland: I want to object and raise this objection. If I properly understood the witness he has not yet claimed that he based this unit cost upon experience of any company; he said he studied the experience of The Ohio Bell Telephone Company along with all the other elements entering into it, but he has not said that he based it upon the experience of any particular company at any particular place. You are asking for a particular company.

Commissioner Huffman: This is a theoretical reproduction. I see no reason to follow that point any further.

Mr. Burr: Well, but, Your Honor, value is a question of fact; reproduction value just as much as any other kind of value.

Commissioner Huffman: The witness has said a dozen times this is the result of his knowledge and study.

Mr. Burr: But am I not entitled to show that he has not any knowledge of the subject at all? He cannot give us any instances. Does it mean—can I say that I know something is true without having any facts upon which to base it?

Mr. Calland: I don't object to your asking that sort of a question at all. My objection is directed to your insisting upon a particular instance of an actual thing happening, to which he has not testified and did not say he based [fol. 4255] it on anything like that.

Commissioner Huffman: And the witness said half a dozen times that he did not base it upon that.

Mr. Burr: All right.

Q. On what did you base your cost of $4.474?

A. My knowledge and my experience.

Q. Can you tell the Commission where you acquired that knowledge?

A. Yes, sir; throughout my life, most of which time, with the exception of six years, was spent right here in Ohio.

Commissioner Huffman: Yes, and that is the third or fourth time that question has been asked and answered the same way.

Q. That is the only answer you have for it, is it?

A. That answer I deem sufficient.

Q. You have not yet answered my last question; not whether you deem it sufficient but whether that is the only answer you have?

A. Yes, sir.

Q. Mr. Allensworth, in respect of your other pole labor costs, are we to understand that at the time you testified in this case you had applied the total labor cost per pole in place but that you did not have for any of the poles the details of the labor costs comprising the total labor costs of the pole in place?

A. No, sir, I did not say that.

Q. Well, we picked out the 30 foot Class C cedar pole at random as an illustration; will you tell the Commission the

poles in your valuation to which that illustration does not [fol. 4256] apply? In other words, I am trying to ascertain the testimony as much as possible by not asking you in respect of your labor costs for each pole but by asking whether or not your testimony in respect of the Class C 30 foot pole applies to all of your pole labor units?

A. As to the detail——

Q. Not as to the detail in dollars but as to the lack of details at the time you testified in chief and as to your having built up the details after your testimony in chief?

A. No, sir, it does not apply to all of them.

Q. Very well. Tell us any of the poles for which you had the detailed labor costs of hauling, erecting, gaining, roofing or any of the details in respect of——

A. I don't know, Mr. Burr; that work was in a formative stage at the time and some I had and some I did not. I cannot tell you now what I had and what I did not have

Q. When Messrs. Williams and Schneider asked you for the details after you testified in chief didn't they ask you for details in respect of any of these costs and you said you did not have the details for all of them at all?

A. No, no.

Q. And didn't you tell them that they were in your head and if they could see inside of your head they would know what they were, or words to that effect?

A. I did make that statement, yes, but not in the connection you are applying it now. The fact is, I will have to repeat again, what Mr. Williams and Mr. Schneider were asking me for, as I understood the request, was details similar to those upon which I had erected unit prices. I have [fol. 4257] told you in the record two or three times that is not the way these unit prices were erected.

Q. Then if I understand the distinction you are trying to make now is that these details which you have given are not the details upon which you constructed your total labor cost but they are what you claim to be the details justifying the labor costs that you used; is that right?

A. Yes, sir.

Q. It is putting the cart before the horse, isn't it, a little bit, to build up unit costs that way, isn't it?

A. No, sir.

Q. Now you have testified that your labor unit costs in this case are based upon your knowledge, have you not?

A. Yes, sir.

Q. And that knowledge came to you partly as the result of a few months construction work and partly as the result of a certain analysis of telephone companies' actual experience; isn't that true?

A. No, sir, my knowledge comes to me as the result of 30 years of experience and observation in telephone construction work and other construction work.

Q. All right; taking that as to its face value, outside of the analyses that you made of the Company's records in the Cuyahoga and the Tri-State cases, what personal analysis have you made prior to this case of any telephone company's own records to determine the results of telephone construction costs?

A. I did not make any such analysis; neither did I make [fol. 4258] them in the case of the Cuyahoga Company or the Tri-State Company.

Q. Are you sure about the Cuyahoga and the Tri-State Companies?

A. Yes, sir; not in the way you ask the question. I made studies of the construction cocts, that is true.

Q. Now how can you study construction costs without making some analysis of them?

A. I made extensive analyses of construction costs.

Q. You did make extensive analyses of the construction costs in those two cases, didn't you?

A. Yes; that is not what you asked me before though.

Q. That is what I asked you before, excuse me. Now then you did make them in those two cases; didn't you?

A. Yes.

Q. Now outside of those two cases where and when have you ever made any analysis of a company's own records in respect of its telephone construction costs?

A. I have not made any personally.

Q. Fine; thank you. Let me ask you this, in passing. Did you ever make any examination of The Ohio Bell Telephone Company's manner of keeping its accounts in order to determine whether or not they are kept in accordance with the system of accounts prescribed by The Interstate Commerce Commission for telephone companies and approved and adopted by this Commission?

A. No, sir.

Q. Do you know whether the company keeps its accounts in accordance with that system or not?

A. I do not.

[fol. 4259] Q. In the valuation figures which you have presented here did you endeavor to follow the Interstate Commerce Commission's System of Accounting for Telephone Companies?

A. Not entirely.

Q. Notwithstanding the fact that this Company has adopted that method you still chose to depart from it in your valuation, did you?

A. I made a reproduction cost, I am not setting up fixed capital accounts. They are two definite operations. I do not think the Commission should be interested in whether or not the statement of reproduction cost follows exactly the accounting schedule.

Q. Did you ever know of a valuation engineer who submitted a telephone valuation to this Commission and who did not follow the Interstate Commerce Commission System of Accounts for Telephone Companies?

A. Yes, sir.

Q. In his presentation?

A. Yes.

Q. Who was it and when and where?

A. Myself.

Q. Oh, I see. It is Allensworth against the field, is it?

A. I do not know. I don't know how other engineers set up their accounts.

Q. Had you read the record in this case previous to your own testimony?

A. No, sir.

Q. Have you examined any of the exhibits presented by witnesses other than yourself in this case?

A. Only a summary exhibit I think is all; after I made my appraisal I saw a summary exhibit of Mr. Hagenah and what exhibits your engineers supplied me with, or copies of exhibits.

Q. In your qualification testimony, if I remember rightly, [fol. 4260] you referred to a part time employment with The Columbus Railway Power & Light Company between the years 1917 and 1918. What appraisal work, if any, did you do for that company during that time?

A. I did not do any.

Q. Then your experience with that company does not help your qualifications in this case very much, does it?

A. Yes.

Q. Oh, I see. Why?

A. I was consultant on valuation problems. I did not have any of the work in charge nor did I perform any of the work.

Q. You were consultant on valuation matters?

A. Yes.

Q. And what did you do as consultant in those matters?

A. I tried or endeavored to solve problems in a valuation procedure as they came up and as they were brought to me.

Q. Are you sure you did not do any appraisal work for that company?

A. Not that I remember of.

Q. Didn't you appraise a part of its traction property extending between Columbus and Westerville?

A. Yes, I made an appraisal of the Westerville line, which, for the moment, had escaped my memory.

Q. I thought so. Did you ever evaluate the cost of poles and wire in place including material and labor costs?

A. No, sir.

Q. What was that; a high-spot valuation?

A. No, dir, that was made up by the then appraisal department of The Columbus Railway Power & Light Com- [fol. 4261] pany; I did not make up those units as I remember.

Q. What had you to do with the appraisals?

A. I compiled it and submitted it.

Q. You mean you simply wrote down the figures that somebody else gave to you?

A. Not exactly. I compiled it from the units worked up by the appraisal department, as I remember it. It has been a good many years ago and I frankly have a very hazy recollection of it.

Q. I do not want to press it too far, except I do not understand the difference or just what you mean by compiling; do you mean you simply performed the arithmetic after somebody had given you the quantities and unit costs?

A. The important considerations and the application for a franchise for the Westerville line, which franchise was granted by the County Commissioners, was aside from the

mere reproduction cost of the poles and wire or track. The unit prices of the track and the bridges and superstructures, the trolley wire, etc., was supplied me and I compiled the valuation and presented it to the County Commissioners. I did not, as I remember it, make up the individual units for the poles and wire and track and structures and other appurtenances of the property.

Q. But you presented it to the County Commissioners as your appraisal?

A. I don't think I did.

Q. Have you a copy of it?

A. I don't think so.

Q. Do you know whether one is a matter of public record anywhere so that we may have access to it?

A. I do not know.

[fol. 4262] Q. Did you furnish the Columbus Railway Power & Light Company with a copy of it?

A. Of course.

Q. In referring to the fact that the results of Company construction had come to The Ohio Bell Telephone Company's appraisal engineers in the form of dollars only, isn't it a fact that those results came to the engineers not only in dollars but in units of plant?

A. There is a statement of the plant—pieces of plant associated with each estimate, as I understand it, or should be; there should be such a list.

Q. Of the amount of plant covered by that estimate?

A. There should be.

Q. Now do I understand you to say that the Company's engineers, the valuation engineers, made no investigation of those costs to determine their fairness or their reasonableness?

A. No, I did not make any such statement.

Q. If you did, you did not mean it, did you?

A. I did not mean it in the form you are now asking the question, no, sir.

Q. Well, did you say anything like that?

A. Not that I remember of.

Q. You referred awhile ago to the many inconsistencies in the Company's unit costs; tell us what they are, if you please?

A. I do not remember that I used the word "many"; I referred to inconsistencies.

Q. Well, if there were many or few, let us have them none the less, please?

A. I do not think I remember all of them, Mr. Burr. For example, one inconsistency that is very glaring is in the [fol. 4263] Company's unit prices. It will be found that the progression in prices for exchange poles follows a fairly uniform law of progression, and the toll poles in the smaller size poles are shown at the higher cost—I am speaking now of labor—shown at a higher labor cost than are exchange poles. After you get up to a certain height then it is shown that toll poles cost less to install than exchange poles. That of itself is inconsistent. If it costs more to instal- a toll pole 30 feet long it should also cost more to instal- one 60 or 70 feet long.

Q. Are you talking about labor costs only or labor and material?

A. I am talking about labor.

Q. Labor only?

A. Yes, sir.

Q. Now don't you know that in the case of toll pole construction the Company has a high incidental cost which takes care of board and lodging and which therefore makes the wage rate very much lower than the wage rate for exchange pole construction?

A. Yes, sir, they should have.

Q. That is true, isn't it?

A. I don't know whether they have or not, but they should have.

Q. And wouldn't that account for this so-called inconsistency that you speak of?

A. No, sir, it would not.

Q. Tell us why?

A. Because the same wage rate would apply whether it was a small pole or whether it was a big one; in your smaller poles the engineers claim it costs more to set a toll pole than it does the same size exchange pole, and in the case of larger poles they say the reverse is the condition.

Q. Now are there any other inconsistencies?

[fol. 4264] A. There are, yes; I don't remember them offhand though.

Q. Well, will you tell them to us at some time or other, or may we assume, if you do not tell us, there are not any more?

A. I will have to search my memorandum and see if I have them. I made note of quite a number of those in the analysis I made and a lot of that detail I do not attempt to keep.

Q. May it be understood that if you do not produce them you haven't them?

A. Yes, if I do not produce them I haven't them.

Q. In your Exhibits 3 and 6 are contained the only statement of your so-called reproduction cost, totalling $104,600,000.00 in this case; therefore, directing your attention to those exhibits, tell the Commission how much time you yourself consumed—you yourself, if you please—in preparing that so-called reproduction cost and its supporting details, omitting, of course, your Exhibits 1, 2, 4 and 5, which relate only to allocations of your and the Company's costs?

A. I was employed I think by the Attorney General in June, 1927. I devoted all my time to that subject, together with the analysis of the Company's costs up to the time I believe that I appeared here on the witness stand and presented the testimony I did nothing else but have that work in charge and I devoted all my attention to it.

Q. As I understand it then, between June, 1927, and when you testified in chief all of your time was devoted to an analysis of the costs and the preparation of the valuation which you used in this case; is that right?

[fol. 4265] A. So far as I remember. I will have to go back over my calendar to find out whether there were any days here or there not devoted to this work.

Q. Approximately how much of each day during that period did you devote to this case?

A. All of the day, I should say, and a great many days I worked at night.

Q. And who was associated with you, if any one, in the work of preparing——

A. Mr. A. C. Morse.

Q. Who is Mr. Morse, and what had he to do with the preparation of the figures which you used in this case?

A. Mr. Morse is a telephone engineer; has worked for me and with me off and on over a period of quite a number of years, and he handled practically all of the detail arithmetic and compilations with the exception of some rather extensive statements which he did not handle.

Q. Do you want the Commission to understand that Mr. Morse only handled the arithmetical part of the preparation of the figures in this case?

A. Yes, sir. Mr. Morse had no responsibility in the determination of units; only the compilation and the routine work.

Q. Now, as a matter of fact, Mr. Allensworth, didn't Mr. Morse do all of the work, or substantially all of the work of preparing all of the unit costs in this case?

A. No, sir.

Q. And during the time that he was working, weren't you busy reading the newspaper or doing other things for the most part of the time?

A. No, sir.

Q. All right for that. Do you want this Commission to [fol. 4266] understand then that Mr. Morse did not prepare any of the unit costs?

A. No, sir.

Q. Used in this case?

A. No, sir.

Q. He did prepare some of them, didn't he?

A. No, sir.

Q. Well, what do you want the Commission to understand?

A. I already explained what Mr. Morse did; he worked for me and handled the arithmetical work, the detail work.

Q. Now wait a minute; the two are a little different; the arithmetical work—is that all the work he did in connection with the unit costs in this case?

(No reply.)

(Question read.)

A. Mr. Morse did the arithmetical work in compiling the unit costs.

Mr. Burr: Read the question again and see if the witness can answer it by yes or no.

(Question read.)

(No reply.)

Q. I am asking the question again and will ask you to please answer it yes or no?

A. No, Mr. Morse did not do anything but the routine work in the unit costs.

Q. And these unit costs applied by you in this case then do not represent his judgment but yours alone; is that true?

A. They represent my judgment; it is true that from time to time naturally, working together, Mr. Morse discussed with me certain phases and features of unit costs, but it was in every case my determination

[fol. 4267] Q. Then it is not true that Mr. Morse himself built up many of these unit costs used by you in this case?

Mr. Turner: Objection; just a minute; this man has said he did build them up but he did not determine them.

Mr. Burr: I will withdraw the question. I think your objection is well taken.

Q. Then do you want this Commission to understand that Mr. Morse did not determine any of the unit costs to be applied to the property of The Ohio Bell Telephone Company in this case?

A. Only as instructed by me.

Q. Only as instructed by you and only as he did the arithmetic?

A. Under my instructions.

Q. Where did that figure of $4.474 come from? You said it was a total; where did you get it?

A. I arrived at that, at the level that would produce the total, before Mr. Morse came on the work.

Q. You arrived at the level?

A. Yes.

Q. What do you mean by that?

A. I mean that in studying the unit price situation I conceive poles as an entirety and mentally I deal in price levels and by my own mental process I arrive at the proper level, and the mere working out of the detail of the specific amount for each particular pole is mere arithmetic.

Q. All right; now give us the level that brought about that $4.474, if you please?

A. Well, I have no such level, if you are asking for some-

[fol. 4268] thing in figures; I have no such figure.

Q. Well, what kind of an animal is this level; where did you use it and how?

A. It is my mental conception of price basis.

Q. Is that the only explanation you can make of it?

A. Yes.

Q. All right; then you cannot tell anybody, can you, how you arrived at the $4.474?

A. Yes, I have told you several times.

Q. Very well.

Mr. Burr: Does the Commission understand how this witness arrived at his unit costs?

Mr. Calland: They will before we get through.

Chairman Klinger: I do not yet fully, no.

Mr. Burr: Very well, we will go on.

Q. Mr. Morse, as I understand——

Mr. Turner: I do not like that in the record—examining the Commission.

Mr. Burr: I think what the Commission is trying to get at here is whether or not this witness made a fair valuation of the property of The Ohio Bell Telephone Company——

Mr. Turner: That is what we all want to know.

Mr. Burr: And how he went about his job of trying to do that. That is all any of us are here for, and for my own part I confess to me what the witness has said is simply words, words, words, and I do not like to leave the subject if anything more can be brought out by further questions, and so I asked the Commission whether their understanding [fol. 4269] of the situation was any better than mine. What we want to get at is the facts.

Mr. Turner: That is all we want to get at.

Mr. Burr: I think you want to help us but I have not gotten a fact yet, Mr. Attorney General, on which to base this cost of $4.474.

Mr. Calland: That is because you approach it with your own idea of the way it should be done, and he did not do it that way, and therefore you say he hasn't anything to base it on.

Commissioner Huffman: Let the testimony speak for itself. There is no need of trying to read the minds of the Commission now. The record will speak for itself.

Q. Now let us go back again to the question I propounded to you some time ago and which I think you have not yet answered, and that is to say how much time you yourself consumed in the preparation of the so-called reproduction cost and the supporting details shown in your Exhibits 3 and 6?

A. I cannot answer that, Mr. Burr, because the work of analyzing the Company's reproduction cost and the building up of this reproduction cost was going on coincident with each other, and to differentiate and say just how much time I spent on one and how much time I spent on the other is not possible. If you are asking me how much time I spent in operating a calculating machine or how much time I spent in writing down figures, I will say, very little on either. My entire time and my attention was directed to the study and the laying down of the principles and con- [fol. 4270] ception of the whole thing and directing the work.

Q. And giving Mr. Morse the figures on which he should perform the arithmetic?

A. The figures and facts upon which he should perform the arithmetic.

Q. What instructions did you give Mr. Morse when he and you started to work together in this case?

A. I gave him a lot of instructions.

Q. Tell us some of them, will you?

A. Well, I don't know that I can repeat a great many of them.

Q. Well, did you give him any instructions as to how to prepare labor unit costs in this case?

A. Yes, I instructed him all the way through on how to prepare labor unit costs in this case.

Q. Generally what were those instructions?

A. I told him the method of procedure and how to work them up and the methods to be followed.

Q. Mr. Morse had been with you in previous appraisal work, hadn't he?

A. Only in one case, but never before on telephone units; he never worked for me on telephone units before.

Q. Wasn't he with you on the Tri-State case?

A. Not on unit costs, no, sir.

Q. Didn't he have anything to do with the appraisal in that case?

A. Only on two subjects.

Q. All right; what were the instructions that you gave him in this case as to how to proceed?

A. I instructed him from time to time as to how to compile the costs. The instructions were pretty much a matter of [fol. 4271] discussion, discussing with him various subjects.

Q. Well, to get down to it, did he always accept all of your instructions or did he ever protest against any of the costs that you were proposing to use?

A. He protested against some of them; he said they were too high.

Q. And did he ever say any of them were too low?

A. No, sir.

Q. He never did?

A. No, sir.

Q. Not one of them?

A. No, sir.

Q. Funny they were all too high, wasn't it?

A. No, sir, nothing funny about it.

Q. All right; now I am really and truly interested in how Mr. Morse went about this business with you, and I wonder if you wont tell us a little more in detail how you started in this great work of appraising a telephone property of more than 104 million dollars in value. Of course it was the largest thing that you had ever undertaken in valuation work, wasn't it?

A. In dollars of results, yes, but in work, no, not by any means.

Q. Of course not, because you did a lot of work on other cases and did not do much on this; isn't that true?

A. I did a lot of work in this case.

Q. At any rate, up to that time you had only appraised a telephone property of six million dollars and another one of 18 million dollars, and in each of those cases you had a large force of men and many, many stenographers, and all the time in the world that you wanted apparently, and in this case you start out to appraise a property more than [fol. 4272] five times as big as any other property you have ever appraised, and you start that job with yourself, one assistant, a stenographer and an adding machine. Now wont you tell us, if you please, how you went about this great appraisal job of yours?

A. Well, you are trying——

Mr. Calland: Now just a minute; I think in the first place he pointed out that he made no inventory and no study of depreciation. He said specifically in those other cases they were involved and these men were involved on those features of the work.

Chairman Klinger: Of course the witness can tell that.

Mr. Turner: But the question should not assume it.

Mr. Calland: There should be all of the elements of comparison involved.

Chairman Klinger: I know, but the witness can tell why he handled this with less help.

Mr. Calland: I want to make the objection now because I think it is only fair to the witness to put all the elements in the question.

Q. Go ahead and tell, please, just what instructions you——

A. In the Minnesota cases I personally made up all of the preliminary units.

Q. I am not asking you what you did in the Minnesota case.

A. You made a comparison between what I did here and what I did in Minnesota; you referred to the large force I had there and I want to explain just what I did there and what I did here.

[fol. 4273] Q. Go ahead.

A. But the work of building up unit costs in the Minnesota cases I handled very largely by myself, and there were many, many more; it was a very much larger job, building up unit prices in that case, than in this case, for the reason that the unit cost situation was simplified by your engineers in making an average of a typical unit. Where we have one unit in The Ohio Bell Telephone Company case I probably had 15 or 10 or two or three in the Minnesota cases.

To give you some specific idea—and I suspect that is what you may want—as to how some of these unit prices were made up, Mr. Morse came in and came to work and I started him first on pole labor costs, the first job that he did. I told him how to work them out, and the work that I had done prior to his coming into the case he knows nothing whatever about. He don't know what the considerations were that determined the particular level upon which I told him to erect these prices, and having instructed him as to how to proceed he then worked up the units.

Q. Do I understand he had nothing whatsoever to do with the preparation of your total labor unit costs beyond the mere application of labor prices which you gave him to the quantities of the poles found in the inventory?

A. No, sir, I did not say anything like that.

Q. I understood you awhile ago to say your pole labor costs were made up before he came into the case?

A. No, sir, I did not say that.

Q. All right; now didn't you tell Mr. Morse when you [fol. 4274] started out on this job that he was to do certain things?

A. Yes, sir.

Q. Now will you tell us what you told him?

A. I told him he was to make up the unit prices, and by that I meant to handle the routine work.

Q. What was the routine work?

A. The compilation of prices and making studies, but also making this test back, this analysis, making the analysis of the Company's appraisal, if you please.

Q. Was this routine work that you told Mr. Morse to do?

A. Yes, sir.

Q. You haven't told us yet what you told Mr. Morse to do.

A. Well, that is pretty hard to tell you, Mr. Burr. The best expression that I can make of it is that I instructed him from time to time how to make up the unit prices and the instructions, if you please, which you choose to call instructions perhaps were not instructions; they may have been discussions, and I to not know that you want to pin it down to an absolute instruction, a written order or anything like that; I don't know as I ever gave Mr. Morse any such order, but I did instruct him or told him how to make up the unit prices and the procedure to follow.

Q. When you say you told him how to do it, do you mean you said "Morse, apply $4.474 to the Company's 30 foot Class C cedar poles"?

A. On exchange poles?

Q. Did you tell him to do that?

A. No.

Q. All right; did you say to him "Here is $4.474 as the total labor unit cost that we will use for a 30 foot Class C [fol. 4275] cedar pole; go ahead and do it?

A. No, sir, I did not.

Q. Now then did you say "Well, we will take $4.474 as the cost and here is the way we will arrive at it; you put down so much for hauling, gaining, shaving and the like and add them up and see if the total does not come to $4.474"?

A. No, sir.

Q. Now then, not having given him that figure, and then

having given him the component parts, what did you do that resulted in Mr. Morse using that $4.474?

A. The first thing I did, I handed Mr. Morse, or, by discussion, discussed with Mr. Morse a schedule of relative pole prices and told hi mto make a study, using certain wage rates, and——

Q. Where did you get that schedule of pole prices?

Mr. Turner: I object to the interruption.

The Witness: The schedule of relative pole prices that I used for the prices, as I remember it, were the preliminary units that I also used in the Minnesota case, or the same relative relation between pole sizes and prices, if not identically the same; I think it was the preliminary schedule used in the Minnesota case and it was used only for the purpose of spreading costs, the proper amount of costs, to various sizes of poles.

Q. After you had done that schedule, what did you do?

A. I had him make up a rough draft of some units.

Q. Did you tell him how to make the units?

A. I gave them wage rates.

[fol. 4276] Q. Did you tell him what to use for the component items of labor comprising the total labor cost for that pole, that 30 foot Class C cedar pole, amounting to $4.474?

A. No. I had a discussion with him and told him how to go about that and how to make it up.

Q. You referred to wage scales a moment ago; what comparative wage scales did you use?

A. I did not use comparative wage scales; I used the wage scales as reported to the Commission by The Ohio Bell Telephone Company.

Q. Did you compare those with the wage scales in effect in your tentative costs?

A. I did, yes, sir, but not specifically by comparing specific wage rates.

Q. What kind of a comparison did you make; I am talking about your tentative costs in your Tri-State case and the Ohio Bell wage rates you say you applied in this case?

A. I just made—I made my own study on them; that was before Mr. Morse came on the work.

Q. What was that study?

A. My study is my mental processes. I know the schedules. I know how every one of those tentative units were

erected; I built them myself. I know everything that is in there and I know comparatively what results would be produced by applying another wage rate by looking at them —or approximately so.

Q. Do you mean you made a mental comparison between the Ohio Bell wage scale and the wage scales applied in those tentative unit costs in the Tri-State case?

A. Oh, that and other things.

Q. Well, you did that in fact?

A. That was part of the process.

[fol. 4277] Q. And what other things did you do in the mental processes?

A. I reviewed and considered and refreshed my knowledge of construction costs and construction operations as to what the performance and costs should be in the instance of the reproduction cost of this property as of June 30, 1925.

Q. At some part of one of your previous answers you referred to starting in this case with your Tri-State costs and modifying them for Ohio Bell wage scales and performance; by "performance" do you mean the amount of work to be performed per man per day?

A. I did not make that statement, Mr. Burr, and if I made any statements which you interpret that way I would like to correct them.

Q. All right, we will have to go back in the record. Just a moment. You say you did not say that? Very well, what did you say?

A. The explanation that I tried to make was that I used not my unit costs in the Tri-State case, but a schedule of preliminary costs that had been set up for the sole purpose of measuring the relationshop between the cost of the different sizes of various elements of plant; that is to say, the relationshop between costs of a 30 foor pole and a 40 foot pole, or a 25 foot pole, etc. The costs that I erected in the Tri-State case were in no way made a part of the costs that I erected in this instant case. It is true that I used the preliminary costs, that is, the same preliminary costs, that I used in the Tri-State case for making the spread on different sized units and that I did use as a schedule for making [fol. 4278] spreads certain of the unit costs that I had used in the Tri-State case, but that was the only use made of them.

Q. Now just how did you apply or make use of the Tri-State preliminary costs in this case?

Mr. Calland: He just got through telling you.

Mr. Burr: No, he did not.

Mr. Calland: I thought I understood him that he used them for the purpose of determining spreads and relationships.

Q. What do you mean by determining a spread?

A. The relationship between; if the labor cost on a certain sized pole is a definite amount, then by the law of relationship that I know, and which is well-expressed in the preliminary units that I used in the Minnesota case, then the cost of a larger or smaller pole would be proportionately greater or less in accordance with the relationship revealed in those preliminary costs. I would like to explain further that those preliminary costs used in the Minnesota case were no more Minnesota units than they were any other units. They were purely preliminary costs and built up for statistical purposes only.

Q. Did you use the same ones in the Cuyahoga case?

A. No, sir.

Q. Did you use them in this case?

A. I used them as I have just been explaining in this case.

Q. Didn't you tell the engineers of The Ohio Bell Telephone Company that you had not used any preliminary [fol. 4279] costs whatever in arriving at the unit costs actually applied by you here?

A. No, sir, I did not, and if they asked me any such question I certainly misunderstood the question because I had no occasion to use preliminary costs in the sense that preliminary costs are ordinarily used for the purpose of analyzing construction records.

Q. Now I may be a bit thick about your use of words, but I do not yet understand how you used your Tri-State costs in order to arrive at what you call the spread of various kinds of poles in this case; will you please tell me how you did that?

A. Well, in making up unit costs, while we conceive—that is, while I conceive the costs of poles generally throughout the range of sizes and contemplate them in my logic and my reasoning on unit costs, nevertheless for the purposes of expediency we pick out typical sizes and determine the labor costs on those particular sizes. Then to get the labor cost on other sizes we use a previous schedule, for example,

this preliminary schedule, that was used in the Tri-State case, for spreading and making the costs then on other sizes of poles. Now your engineers are very familiar with that, they have done it time and time again and do it continuously.

Q. Did you use your Tri-State costs in order to make your spread?

A. No, sir, I used the preliminary costs that I used in the Tri-State case.

Q. Well, that is what I mean. Now you used those costs in order to determine what we will call your spread points, if you please?

A. Yes, sir, exactly.

[fol. 4280] Q. Now after you got those spread points, what did you do?

A. Well, those spread points were used for the purpose of applying this relationship and getting the prices of all intermediate sized poles.

Q. Now when you got those prices, those intermediate prices of poles coming between your spread points, and therefore got all of your pole prices, or at least your tentative pole prices, did you make any modification between those costs or prices and the ones you actually applied to this case?

A. Yes, sir.

Q. What was the modification, and why did you make it?

A. I raised them because in my judgment the result of that first compilation produced a schedule of pole prices that was too low.

Q. How much did you raise them, do you remember?

A. No, I don't know that.

Q. Wasn't it in a percent?

A. The application of the raise of course was in a per cent but the determination of the raise was as ordinarily accomplished by a study of the specific prices.

Q. And why did you raise those prices?

A. Because the price produced by this preliminary study would have produced a total labor unit which, in my judgment, would have required a labor performance too great to be consistent for the application of this property.

Q. Did you raise those prices so as to reflect the difference between Ohio Bell Telephone wage scales as of 6/30/25

and Tri-State wage scales as of the date of your appraisal [fol. 4281] in the latter case?

A. No, sir, I did not.

Q. Then you did not take into consideration Ohio Bell telephone wages scales at all in building your pole costs, did you?

A. Yes, sir, they were based on that.

Q. How did you do it?

A. By the direct application of the wages themselves.

Q. To what?

A. To this preliminary curve, if you please.

Q. Well, then your preliminary curve though was based on Tri-State wage scales, wasn't it?

A. It was not.

Q. I should say on your Tri-State tentative costs.

A. It was based—pardon me for the distinction that I make—it was based upon the preliminary costs that I used in my analysis in the Tri-State case. Those preliminary costs were not Tri-State costs and they were not any other costs. They were purely theoretical costs for the sole purpose of making this spread.

Q. They were substantially the same as the Tri-State wage scales, weren't they?

A. I don't think so; not as I remember; in fact, I know they were not because in making my conversion the first operation was to convert to a wage level.

Q. Did you make any modification in this preliminary cost curve for any other factor except wage scales?

A. Surely.

Q. What?

A. As I have before explained, the first result produced by applying the wages scales in making up a unit cost produced a unit cost per unit lower than I thought was [fol. 4282] reasonable and it was raised; that is, the cost per pole was raised, and then spread over the curve.

Q. In other words, you increased your performance?

A. I decreased the performance.

Q. You decreased the performance in the sense that your preliminary cost would have given too much performance?

A. Yes, sir.

Q. Was this performance at which you finally arrived for your Ohio Bell unit costs higher or lower than the performance in your tentative unit costs in the Tri-State case?

A. I don't know that; I cannot answer that question.

Q. Now, as a matter of fact, in your Ohio Bell Telephone costs applied in this case, didn't you use a much higher performance than the one that you used in your tentative labor costs in your Tri-State case and subsequently in your final costs in that case?

A. No, sir, excepting that there may be one or two elements here or there where that may have occurred.

Q. But they are negligible, I assume?

A. I should say so, yes.

Q. And in the Tri-State costs which you finally used was not the performance lower than even the performance in your tentative labor costs?

A. Not in all ca-es; in some cases they were and in some cases less, and in some cases higher.

Q. Was not the average performance used in your costs actually applied in that case considerably lower than the [fol. 4283] average performance in your tentative labor costs?

A. The cost that I used in the Tri-State case I should say was, offhand, without making any specific analysis.

Q. Was what?

A. The performance was lower than was the performance in the preliminary units, but the important fact in that connection was that the cost that I used in the Tri-State case—the performance that produced that cost was very much lower than the actual experience of the Company. Now pardon me until I continue; to express it in other terms, the costs that I used in the Tri-State case were higher costs than would be shown by the records of the construction operation of the Company when converted to comparable wage bases.

Q. Do you mean that the performance which you finally applied in your Tri-State unit costs was higher than that shown or reflected in your tentative unit costs in that case?

A. No, sir.

Q. It was lower, wasn't it?

A. I don't remember as to that but what I said was that the costs that I used in the Tri-State case would be produced by a performance that was less than the actual experience of the Company in its construction operations.

Q. Well, that comes to less performance than the Company actually showed, doesn't it?

A. A lower performance than the actual experience of the Company, yes, sir.

Q. Now then, in this case don't you know that the performance which you used was higher and is higher than [fol. 4284] the performance which you used either in your tentative or in your final labor unit costs in the Tri-State case?

A. No, I don't know that.

Q. Well, if it was and is higher for your Ohio Bell costs than in the Tri-State, either tentative or final labor costs, what do you think about it?

A. I don't think there is any connection between the performance of telephone work in Minnesota and in Ohio.

Q. Why not?

A. Because it is entirely different territory and the work is conducted under entirely different conditions.

Q. Why did you start out in Ohio with your Tri-State tentative labor costs as the basis for your labor costs in this case?

A. Merely for the purpose of making the spread in the different sized units, as I have already testified.

Q. What modification did you make for performance in Ohio?

A. I explained that, I think. I did not make any modification in performance for the units here in Ohio.

Q. Didn't you assume some kind of performance?

A. No, sir, not directly.

Q. Where did you get it?

A. I have told you I think three or four times during this day's conversation that the units were established and an analysis then was made to prove the reasonableness of the performance that would be required to produce the unit established.

Q. You have not been able to cite us a single case of the performance on which you say your unit costs in this case [fol. 4285] are based, have you?

A. No, sir; I do not purport to.

Q. In the Cuyahoga case you used the Company's performance, didn't you, for your labor unit costs?

A. No, sir.

Q. What did you use there?

A. I do not remember all of the details but if you will let me look at that schedule of unit prices and if that is a copy of my units, I may be able to tell you.

Q. Whatever performance you used in that case you used it because of your belief that it reflected an efficient performance; isn't that true?

A. No, sir.

Q. Then you did not base your unit costs in that case on efficient performance?

A. The unit costs in that case were built up by agreement with the engineer of the Commission.

Q. I know, but didn't you file that valuation with this Commission and didn't you certify to it as your reproduction cost new of the property of that Company?

A. After the engineer of the Commission had agreed to the unit prices, yes.

Q. But it did represent your judgment, didn't it? You were not playing horse with the Commission to the extent of filing something with the Commission that did not reflect your judgment, were you?

A. Yes, sir, there were parts of those unit prices that I did not make up, had absolutely nothing to do with them; they were accepted by the Commission, and I used them.

[fol. 4286] Q. Didn't you include them in the reproduction cost new of that property which you yourself filed with this Commission?

A. Yes, sir, but I did not make the units.

Q. I see. You filed the valuation but you now disavow the responsibility for parts of it; is that what you want the Commission to understand?

A. No, sir; I am explaining the process and the source of the unit prices. That is the question you have been asking, Mr. Burr.

Q. Were you responsible for the pole costs in that case?

A. Only partially so.

Q. What about the wire costs?

A. The wire costs, as I remember it, I think I built those up.

Q. You built those up; what about the conduit costs?

A. The conduit costs, as I remember it, I built up the conduit unit prices.

Q. You have already said that you used your Ohio Bell Telephone Company wage scales in the preparation of your unit costs applied in the present case; did you in the Tri-State and Cuyahoga valuations apply the then effective wage scales of those two companies?

A. I did in the Tri-State case and I don't remember as to the Cleveland Division of the Ohio State Telephone Company, which you call the Cuyahoga case.

Q. Well, you would not have had any reason to apply any other wage scales, would you?

A. No, sir.

Q. And to the best of your knowledge and belief, you did apply the Company's wage scales in that case too, didn't you?

A. Either the wage scales specifically or *or* approximately [fol. 4287] the wage scales then obtaining.

Q. Now in your Cuyahoga labor units you used the Company's performance, didn't you?

A. To some slight extent, as I remember it.

Q. Well——

A. The Company's performance on poles was not used.

Q. Well, whatever performance you used, I think I asked you this before, didn't you use it because in your judgment it reflected efficient performance?

A. There was some of it that I did not have any information on as to that, but, as I said before, they were arrived at largely by agreement with the engineers for the Commission; the engineers of the Commission assumed that they reflected reasonable performance.

Q. What about the Tri-State case; did the performance which you used in your unit costs there reflect what in your judgment was an efficient performance?

A. To a very large extent, yes, sir.

Q. Now you said that you did not use the Company's costs for poles in your Cuyahoga appraisal; let me read you from your volume of unit prices in that case, page B-81, and ask you if you did not state this in respect to these prices: "Unit prices for labor on poles at point of use, i.e., cost of digging holes, setting pole, stepping and painting, were taken from unit cost schedule published by The Ohio Independent Telephone Association after comparing them with averages secured from computing actual cost of setting poles during the years 1019, 1910, 1911 and 1912, [fol. 4288] as shown in the accompanying schedule"; do you remember that?

A. I remember very distinctly that the pole cost, by agreement with the Commission's engineers, was a schedule published by The Ohio Independent Telephone Association.

Of course the other detail I have no recollection of. If that statement was made at the time it was undoubtedly true.

Q. Why did you agree with the Commission's engineer in respect of these pole costs in that case? Were you agreeing to something that was not true?

A. I don't think so.

Q. All right. At page 2808 of the record, referring to your labor costs, you were asked this question by the Attorney General: "Q. Right at that point, you have unit price data available so that if it is wanted here it can be furnished?" And you answered "Yes, sir"; do you remember that?

A. Yes, sir.

Q. And after the hearing while you testified in chief—the engineers of the Company asked you for your labor cost data, that is to say, the details of the labor costs applied by you in this case to the various classes of outside plant, didn't they?

A. Yes, sir.

Q. And you then supplied them with some partial details, didn't you?

A. No, sir, I supplied them with the labor costs and the detail of various labor charges, and in some classes of plant gave them divisions of the labor costs, and in all extended to the Company very much more detail than I got from the Company as to labor costs.

Q. I now hand you a compilation, which, for the purposes [fol. 4289] of identification, may be marked Allensworth Cross-examination Exhibit No. 2, being a partial list, with the balance to follow in a day or two, of pole direct labor costs chosen from the labor costs which you delivered to the Company's engineers in response to their request. Bracketed with each such total cost is a list of component items and the details of labor, omitting, however, as you yourself have omitted, the amount of money represented by such details respectively. Please tell the Commission whether or not each of those total direct labor costs includes and is intended to cover the items or details bracketed with it?

A. Please read the question.

(Question read.)

A. Mr. Burr, I do not think I can answer that offhand; here are quite a number of sheets; I don't think I could tell by——

Q. Very well; will you take it over night and do the following: First, determine whether or not each of those total direct labor costs includes and is intended to cover the items or the details bracketed with it; and, second, take each such total labor cost and divide it up by dollars and cents among the respective component items or details bracketed with that cost so that the Commission and we may know how much of the sum total cost is represented by each item or detail; for example, you have undertaken to give in respect of the 30 foot Class C cedar pole the separate costs for yard work, hauling, digging and setting, which, by the way, do not come to your total of $4.474; [fol. 4290] and will you supply that, or kindred information, for each of the total labor costs shown in that list?

A. I should be glad and pleased to submit what detailed information I can, but I will not make up this compilation or I will not make any study of this chart over night.

Q. Have you the figures now that that compilation calls for?

A. I think I have to a very large extent.

Q. Did you have them when you testified in chief?

A. Not in the form, no; I had a great mass of that stuff, Mr. Burr, as you know, in memorandum form.

Q. No, I do not know.

A. How?

Q. I do not know it.

A. Well, you should know; and I did not have it in presentable form; what I did have was not in presentable form at the time; what I did not have has been worked up since.

Q. When may we expect the information, Mr. Allensworth?

A. When you get through with the cross-examination I will be glad to go to work at this.

Q. Well, we wont be through until we have had that information.

A. Well, then the only way that I can perform this work would be to interrupt your cross-examination long enough to permit me to do it.

Q. How long would it take you?

A. I don't know; I could not tell you that. This is one set of sheets and you say there are many more.

Q. Yes, there will be some more. They are your unit costs; not any more than you gave us.

A. There is much more than what the Company gave me, much more detail here.

[fol. 4291] Q. Well, these are your unit costs; the Company gave you all the details by which its factors were arrived at, didn't they?

A. Detail by what—by which its labor costs were arrived at?

Q. Both labor and material?

A. No, sir, it did not.

* * * * * * *

[fol. 4292] Mr. Burr: We offer Allensworth Cross-examination Exhibit No. 2 in evidence.

Mr. Turner: We object at this time; there is no proper basis for it.

Mr. Burr: I think the gentlemen on the other side must be mistaken in their conception of that subject, because [fol. 4293] one of our claims is that the labor costs applied by Mr. Allensworth are totally unsupported by data by which they can be tested or by which they can be proven. Here is a list of the unit costs which he used.

Mr. Turner: Who says so?

Mr. Burr: We do.

Mr. Turner: No witness has.

Mr. Burr: We do.

Mr. Turner: We usually support exhibits by testimony.

Mr. Burr: Well, that is because he wants to take two or three days to see whether or not——

Chairman Klinger: I think the objection is well taken because there is no proof yet to sustain what counsel contends.

Mr. Burr: Very well.

Q. At the same time when you report on the other things we have asked you to do in respect to this exhibit, will you at the same time tell the Commission whether or not the exhibit correctly shows the labor unit costs which you have used and which the exhibit purports to show?

A. Naturally, Mr. Burr, that would be the first thing I would check.

Q. Of course it would.

(No reply.)

Mr. Burr: It is our understanding then that Mr. Allensworth will take Allensworth Cross-examination Exhibit No. 2 and supply such part of the information as he has as soon [fol. 4294] as he conveniently can?

Mr. Turner: Why not, Mr. Burr, if you have more of them, if you are making that as a premise to adjournment, why not give him the other ones that you have? We will come up against that same thing again.

Mr. Burr: I had supposed that the typing of all this had been completed long ago, but in checking up this morning I found that some of the last pages have not yet been typed.

Mr. Turner: You are up against the same thing we are up against.

Mr. Burr: And so we put together what we had here and they were given to Mr. Allensworth on the first day of the hearing in order to get an answer as soon as possible. The other pages will be given to him just as soon as they are typed, probably tomorrow or the next day, and they may all be made part of the same exhibit if you like. All we want is to have him give these costs.

Mr. Turner: Well, the only thing, if we did adjourn, he ought to be in possession of all of it so he can work it out and we would not have to have another similar adjournment.

Mr. Burr: That will be ready tomorrow or next day and it seems to me we should go ahead with the cross-examination.

Mr. Turner: I am perfectly willing. I thought you were contemplating asking for an adjournment.

Mr. Burr: No, I would rather not.

[fol. 4295] Mr. Turner: I want to go ahead.

By Mr. Burr:

Q. In your unit costs who computed or supplied for the unit costs the amounts for plant supervision and tool expense and the stable and garage and the incidental expense apart from the direct labor expense?

A. I did, of course.

Q. And Mr. Morse did not make up any of those costs or supply any of the costs for those items for your total labor costs?

A. No, sir. Mr. Morse made some compilations, made some studies for me on those subjects, as he did on practically all subjects, but it was my determination.

Q. In respect of your Exhibit 3, would you say that Mr. Morse's only part in the work reflected by that exhibit was the arithmetical portion of it, and that it represents your judgment as to unit costs and not his?

A. Yes, sir.

Mr. Burr: If the Commission will bear with me for a moment while I check my notes, we will make time I think in the end.

Chairman Klinger: If there is no objection on the part of any one we will adjourn until tomorrow morning.

Mr. Burr: All right, we will be ready to go forward tomorrow.

And thereupon the further hearing of this case was adjourned until Thursday, August 16th, 1928, at 10:00 o'clock A. M.

[fol. 4296] Morning Session

Thursday, August 16, 1928.

And also HARRY R. ALLENSWORTH, resuming the stand for further cross examination, having been heretofore duly sworn, continued his testimony as follows:

Cross examined by Mr. Burr:

Q. I understand from your testimony, at page 2694 of the record, and from your Exhibit 6, that in the latter you have reduced the Company's land appraisal of $3,943,467.00 by the sum of $479,923.00, the latter sum being made up of the $270,923.00 and the $209,000.00 items representing the Cleveland Real Estate Board Appraisal Committee's appraisal of Parcel No. 13, Tract No. 3, and Parcel No. 18, they being the leasehold estates in the City of Cleveland described under those parcel numbers in Williams Exhibit No. 6; that is correct, isn't it?

A. Yes, sir.

Q. Will you look at your Exhibit—not necessarily at this moment but some time—and then tell the Commission whether the figure of $477,923.00 which you gave at page 2694 of the record should not be $479,923.00? There appears to be a mistake of $2000.00 in the spoken testimony.

A. I will be glad to make that correction, Mr. Burr, if [fol. 4297] there is any error there.

Q. You made some investigation of those leaseholds, did you not, before you rejected all value for them in your real estate appraisal?

A. What investigation I could make at the time, yes, sir.

Q. Well, I will ask you this, isn't it true that the two leasehold estates represented by those parcels were created long prior to June 30th, 1925?

A. If you are referring to the leases underlying what is known as the Electric Building, yes, that is my information.

Q. That is known as Parcel No. 13, Tract No. 3, in the Company's appraisal, isn't it?

A. It may be; I do not happen to remember the particular designation.

Q. Do you know the date of the leasehold underlying a part of the Company's main building in Cleveland, shown as Parcel No. 18 in the Company's Real Estate Exhibit in this case, Williams Exhibit No. 6?

A. I do not remember the specific date but my information at the time was that that was acquired comparatively recently.

Q. The leasehold was, but the date of the leasehold was some time prior to its date of acquisition by the Company, wasn't it?

A. It may be; I do not remember that detail.

Q. Will you look that up and tell the Commission?

A. I do not know that I have that information at hand, Mr. Burr. What information I have on those subjects was gotten in the Cleveland office of the Telephone Company, and much of it was verbal.

[fol. 4298] Mr. Turner: The lease will speak for itself, won't it, Mr. Burr? We can get that by stipulation.

Mr. Burr: Very well.

Q. Tell the Commission whether Cleveland has grown in population since the creation of those leaseholds, and if so how much?

A. My understanding would be it has grown in population; I do not know how much.

Q. Aren't the two leaseholds located on Huron Road west of Ninth Street and haven't the real estate values in that vicinity risen rapidly during the last ten years?

A. I don't know anything about real estate values in Cleveland; I don't know whether they have risen rapidly or whether they have risen at all.

Q. And you don't know anything about leasehold values in Cleveland?

A. I don't claim to know anything about the market or the exchange or the sale value of leaseholds in Cleveland.

Q. Are we to understand from the record that you do not question the values at which these two leaseholds were appraised as such by the Cleveland Real Estate Board Appraisal Committee, as shown in Williams Exhibit No. 6, and that you reject those values merely because the properties consist of leasehold estates instead of estates in fee simple?

A. Partially so, Mr. Burr. I have no question whatever as to the leasehold values or the values placed on those leaseholds by the Appraisal Committee of the Real Estate Board. If I understand, those values are purchase and sale values. In other words, my understanding is that the [fol. 4299] Appraisal Committee of any real estate board places a value on real estate as to what it might be sold for in its then existing condition.

Q. Don't those leaseholds represent property?

A. They represent a property right, yes.

Q. And aren't they owned by the Telephone Company?

A. The lease is held by the Telephone Company, yes, sir; that is my understanding.

Q. In both cases?

A. That is my understanding.

Q. And weren't they so held and owned by the Telephone Company as of June 30th, 1925?

A. That is my understanding, yes, sir.

Q. Do you know anything about the amounts of money that the Telephone Company paid for those leaseholds?

A. My information on the subject——

Q. I am talking now about The Ohio Bell Telephone Company.

A. My information is that the original acquisition of the leases underlying what is known as the Electric Building by the old Cuyahoga Telephone Company, there was nothing other than a nominal fee passed.

Q. How do you mean, a nominal fee?

A. One dollar and other valuable considerations, or something like that.

Q. From whom and to whom, if you please?

A. From the then owners of the Telephone Company to the lessor.

Q. I am talking about The Ohio Bell Telephone Company, when it acquired that lease; isn't it true that the lease itself was acquired 25 years ago or more by the original [fol. 4300] lessee, which was a predecessor in title to the Cuyahoga Telephone Company, afterwards merged into the Ohio State Telephone Company, and with which latter company you were associated?

A. That was my understanding, yes, sir.

Q. Now you do not want this Commission to understand that The Ohio Bell Telephone Company paid nothing for that lease, do you?

A. I do not know that; it is not my information that The Ohio Bell Telephone Company passed any definite consideration for the lease. If any such consideration was passed, it is beyond my knowledge. I have no such knowledge of any such consideration.

Q. But you don't know that it paid nothing for the lease?

A. My understanding is that the lease was acquired with other properties acquired, with other properties of the Ohio State Telephone Company, acquired with the merger of the properties.

Q. Now, don't you know that The Ohio Bell Telephone Company paid approximately $250,000.00 for the leasehold listed as Parcel No. 18 in Williams Exhibit No. 6?

A. No, sir, I do not know that.

Q. Did you make any investigation to see how much it paid for the leasehold?

A. I made what investigation I could at the time and if that is true, such information was not given to me.

Q. Well, did you ask for it?

A. I did, as I remember it.

Q. Who did you ask?

A. I think that I discussed it with Mr. Rickey.

[fol. 4301] Q. Did you ask him specifically how much The Ohio Bell Telephone Company paid for that lease?

A. What lease are you referring to?

Q. The lease known as Parcel No. 18 in Williams Exhibit No. 6?

A. You will have to define what Parcel No. 18 is; where is it located, Mr. Burr?

Q. That is a leasehold covering a part of the real estate now occupied by the Company's main building in Huron Road?

A. I discussed that with Mr. Rickey and perhaps others in Cleveland. Now as to whether or not I made a specific request for any dollars consideration, of course I do not know at this time.

Q. If the Company did pay $250,000.00 for that lease, would it change your view in respect of whether or not any value for that leasehold should be disallowed in this case by you?

A. If it could prove—if it could be proved that at the time $200,000.00 more or less was a reasonable consideration, it would change my testimony in that respect, yes, sir.

Q. Well, quite apart from the amount that has been paid, if that leasehold had a value, the value placed on it by the Real Estate Board, with which you say you have no quarrel, why did you reject all value for that leasehold in this case?

A. Because the value placed thereon by the Appraisal Committee of the Cleveland Real Estate Board is a purchase and sale value and my purpose in this case was to erect a reproduction cost from which might be determined a rate base value.

[fol. 4302] Q. Well, how does the reproduction cost differ from the fair value as appraised by the Cleveland Real Estate Board on that leasehold?

A. According to my testimony there is quite a difference between the value placed thereon by the Cleveland Real Estate Board and my valuation or my reproduction cost for rate making.

Q. I am not asking anything about your testimony; I am asking why there is a difference?

A. The reason is the Cleveland Real Estate Board was dealing with purchase and sale values and I was dealing with rate base values, or a base from which rate base values might be determined.

Q. What difference does the fact that this is a rate case have on the value of the leasehold estate?

Mr. Turner: Isn't that a question of law after all.

Mr. Burr: Well, he has undertaken to decide for himself that question as a matter of law; I suppose it is a matter of law.

Commissioner Huffman: I think it is a matter for brief.

Mr. Turner: Maybe we have instructed him as to what we think the law is.

Mr. Burr: I was going to ask him that next, or almost next.

Mr. Turner: I think that is a matter of law.

Commissioner Huffman: I think that is a matter for the brief.

Q. Now have you been instructed by anyone to disallow all value for these two leasehold estates in your [fol. 4303] appraisal in this case?

A. I discussed that subject at quite some length with Mr. Calland.

Q. You have not answered my question yet.

A. Mr. Calland did not give me any specific instructions.

Q. Well, did you reject those values as the result of those conversations with Mr. Calland?

A. Surely.

Q. As I understand it then, you do not deny that those leaseholds have the values ascribed to them by the Cleveland Real Estate Board Appraisal Committee, as shown in Mr. Williams' Exhibit No. 6, but you reject those values either because you have been instructed or because for some other reason you have decided to do so in your appraisal in this case?

A. I do not admit, neither do I deny, that the purchase and sale value placed thereon by the Cleveland Real Estate Board is a true value. I do not know. I have no knowledge of real estate values in Cleveland.

Q. And so you do not deny that was the fair market value of those leaseholds as of 6/30/25?

A. I do not make any such denial; neither do I make any such admission.

Q. Now you said, in respect of Parcel No. 13, Tract No. 3, "I know what the Company originally paid for the leasehold under the Electric Building and for your information they did not pay anything for it"; you do not want this Commission to understand that by the word "company" you were then referring to The Ohio Bell Telephone Company, do you?

A. No, sir.

Q. And you do not mean to tell this Commission that the leasehold represented by Parcel No. 13, Tract No. 3,

[fol. 4304] cost The Ohio Bell Telephone Company nothing, do you?

A. I do not know what it may have cost The Ohio Bell Telephone Company.

Q. All right; do you know the fee simple values of the real estate covered by those two leaseholds or either of them as of 6/30/25?

A. The what?

(Question read.)

A. I do not.

Q. Did you make any investigation to determine that value as of that date?

A. I did not.

Q. Why not?

A. I was not interested in the fee values.

Q. And you were not interested in the leasehold values either, were you?

A. Yes, sir, I was interested in the leasehold values as such values might be considered in a rate base.

Q. And simply to know how much to cut out of your valuation as represented by those leasehold estates?

A. Of course that is not true, and you knew it before you asked the question.

Q. Well, didn't you make some investigation of the leasehold values as appraised in this case in order to determine how much you were going to reject from your appraisal of the Company's real estate in this case?

A. I merely deducted the total item as shown in the Company's set-up.

Q. Yes, you went that far, didn't you?

A. That did not require any investigation.

[fol. 4305] Q. Isn't it true that leasehold estates are bought and sold in the real estate market of the State and that the value of the leasehold is usually computed by capitalizing the required rental of, say, five per cent, or some other per cent, and deducting that capitalized value from the value of the fee at the time of the sale of the leasehold?

A. I do not know. I am not in the real estate business.

Q. Isn't it also true that notwithstanding a leasehold estate requires the payment of rental as an annual expense, the leasehold itself may have a substantial value in excess where the rental so paid; capitalized on the basis

of, say, five per cent, produced an amount materially lower than the then fair value of the fee?

A. If you are talking about purchase and sale, yes, that may be possible.

Q. Put it in another way; if The Ohio Bell Telephone Company owns a leasehold estate for which it is required to pay an annual rental of $1000.00 a year, and if the fee of the property is worth $1,000,000.00, would you say that that leasehold estate has no substantial value merely because the Company charges the $1000.00 of rental as an expense?

A. I should say that for purposes of establishing a rate base that lease value has very little value, but not because they are paying $1000.00 a year rental.

Q. What do you mean by "very little value"?

A. Under those circumstances the value for rate making purposes would be the consideration paid by the Company, in the acquisition of the lease.

Q. Oh, you are on the original cost theory in respect [fol. 4306] of the leasehold, are you?

A. In respect to leaseholds, yes, sir.

Q. Why, in your alleged fair values or reproduction cost new of the property of the Company in this case, have you valued all of the Company's property except these leaseholds on the basis of the reproduction cost new as of June 30th, 1925, whereas in respect of these real estate values, particularly these leasehold values, you have undertaken to value them, or rather reject all value for them, on the original cost theory?

A. For the reason that reproduction cost is a better criterion as to value on all things excepting leaseholds; in my opinion the actual cost, the actual consideration paid, is a more pertinent fact in establishing reproduction cost for rate making bases.

Q. Tell us why it is a better criterion?

A. There are a number of reasons; one reason is that in the case of your leaseholds now enjoyed by The Ohio Bell Telephone Company in the City of Cleveland, Ohio, the difference between the consideration actually paid and the purchase and sale value as of a certain date would probably reflect some decided increase in amount when expressed in dollars. That amount then is profit to the Company over and above that contemplated in rates. If the Com-

pany is going to profit by its speculations in real estate it should account for those profits in its return.

Q. And you believe these leaseholds underlying buildings of the Company represent speculation in real estate, do you?

A. They do in respect of capitalizing a purchase and [fol. 4307] sale value in a rate base.

Q. Suppose at the time that the Company acquired a given parcel of real estate in Cleveland, whether it be the one underlying one of its buildings there or otherwise, the Company paid one dollar for that property, and say that the purchase occurred 25 years ago, that the fair value of the property as of 6/30/25 was a million dollars, would you in your appraisal value that property at one dollar or a million dollars?

A. There could not be any value of a million dollars in a rate base.

Q. Why not?

A. For the reasons that I have already explained in my previous answers.

(Question read.)

A. Now may I ask the reporter to strike out my previous answer, to correct the record?

Q. Yes.

A. If I understand your question to mean that the acquisition of the property was in fee, then in that case I, in my reproduction cost, would use the reproduction cost of that land and the value of the land as of the date certain of the appraisal, and a very important reason for so doing is that the Courts, insofar as my knowledge extends, have almost universally accepted that basis as a valuation of property owned in fee by public utilities.

Q. All right; now following the example a little further, if the Company had purchased a leasehold estate in one of the properties underlying one of its buildings, paying a consideration of one dollar for that leasehold, and if at the time of your appraisal the leasehold estate was valued [fol. 4308] at one million dollars, what value would you put on the leasehold in your appraisal?

A. I would put on it a value equal to the amount of the actual consideration passed for the acquisition of the lease.

Q. That is one dollar?

A. If that was all, yes, sir.

Q. Now in your appraisal you were trying to reproduce this property as of 6:30.25, weren't you?

A. Yes, sir.

Q. And how far did you try to reproduce the values of those leaseholds for the benefit of the Commission, as of that date in your appraisal?

A. That is exactly what I did; the reproduction cost of those leaseholds would be in my opinion the actual cost of the acquisition.

Q. How long have you held to the theory that a leasehold estate owned by the telephone company, such as The Ohio Bell Telephone Company, had no value for, purposes of a rate case except possibly the original consideration for the lease?

A. I don't know that I ever had any other idea as to the value of leaseholds.

Q. I see.

A. But following your question on up, you will find in my original appraisal that the Cleveland Division of the Ohio State Telephone Company, wherein the value of those leaseholds arose, if I remember rightly, I used a valuation of leases there of $40,000.00 for the same leases now that the Ohio Bell Telephone Company is appraising at a very much greater sum, but I did not show the rentals paid thereon in any expense account.

[fol. 4309] Q. Did you set up the expense account of the Ohio State Telephone Company or the Cuyahoga Telephone Company in the appraisal of its property?

A. I set up expense accounts, yes, sir; I don't remember that the expense accounts that I set up were introduced in the record.

Q. Do you always consider the expense accounts of a company in making up your reproduction cost new of the Company's property as of a date certain?

A. To a greater or less extent, of course.

Q. Oh, not to a greater or less extent; do you always do it?

A. No, sir.

Q. I should say not.

Mr. Calland: Unless it happens to be necessary to determine how to handle a particular item; it is perfectly proper to look at it, isn't it, Mr. Burr, as it was in this case?

Q. Did you make any investigation of the revenues and expenses of The Ohio Bell Telephone Company in arriving at your conclusion to disallow all value for the leasehold estates in this case?

A. That was not a determining consideration; I had before me though a statement of the earnings and expenses of the company.

Q. Did you consider that statement of the company's earnings and expenses in the setting up of your reproduction cost new in this case?

A. No, sir.

Q. You only did it where you wanted to disallow these leaseholds, didn't you?

A. No, sir.

Q. Now even on your theory that you would only put [fol. 4310] in a leasehold at the amount paid by the Company for it—and not accepting your theory—where have you made any allowance in your appraisal for the $250,000.00 paid by The Ohio Bell Telephone Company for the leasehold known as Parcel No. 18?

A. I had no information that any such consideration had been passed.

Q. Well, did you try to find out?

A. Yes, sir.

Q. Now, specifically, who did you ask as to the amount paid by The Ohio Bell Telephone Company for that leasehold and what did you say to the person whom you interrogated?

A. Of course, Mr. Burr, my conversations with your Cleveland office men was almost a year ago, I suspect and I do not remember the conversation.

Q. But this is an item that amounts to at least $250,000.00, even on your own theory, to the Telephone Company, and you cannot remember now with whom you discussed that most important item, if anybody?

Mr. Turner: Just a moment. I do not understand, Mr. Burr, that it is on his own theory because where you charge to expense the rentals, his theory is that you do not put the value in. Now you have it on his theory. It is not on his theory. If you leave that out, I have no objection to the question.

Mr. Burr: I think the question is proper exactly as it is.

Mr. Turner: We object to it.

(Question read.)

Chairman Klinger: That is on his theory that he adopted [fol. 4311] in not allowing anything but the purchase price or cost price for leaseholds.

Mr. Calland: As I understand the witness, as he has explained it here, his position is this; that in a leasehold, if the amount paid per annum or per quarter for the privilege of occupying that property is collected from the public, paid through operating expenses, that they shall not then capitalize that lease and have a return on it. That is his theory, as I understand it. He has said that he had no information as to any cash purchase price paid by The Ohio Bell Telephone Company for this particular lease and that if there was such a price paid and it was a reasonable price, that it should be considered.

It is a legal question after all, whether or not you can capitalize these leases and put them in the expense account at the same time. That is the point raised.

Now the question whether or not the lease has that value, he said he did not know and did not try to find out. As far as the cash consideration paid is concerned, the record in this case does not show there was any paid, and now they want to go back and find and see whether he asked for that.

Chairman Klinger: He can answer if he did.

Mr. Turner: The only thing I objected to, Your Honor, was saying it was his theory. Now his theory is that if they capitalized it they cannot also collect the rent on it. Now they have collected the rent and they should not capitalize, and that is his theory, and I object to that part of [fol. 4312] Mr. Burr's question, because it is not his theory that Mr. Burr is asking about.

Chairman Klinger: I think we understand each other.

Mr. Turner: We do now with those objections standing in the record.

Chairman Klinger: He may answer if he can.

The Witness: I do not remember the specific conversations or the specific requests made for such information, but I do know that I discussed such matters, and I believe it was with Mr. Rickey in Cleveland.

Q. In response to Mr. Turner's suggestion, and calling your attention to page 2695 of the record, where you said,

"Well, as I understand the Company's statement, all of that real estate is capitalized and appears in its reproduction cost statement as a capital cost, or a part of its total reproduction cost, and in addition thereto, on the Company's record of expenses it shows it is also paying rentals on this land"; did you mean to infer that the Company was attempting to capitalize the fee simple values of those parcels or that it had included those fee simple parcels either in the reproduction cost of its real estate or as a part of its total reproduction cost?

A. No, sir.

Q. Did you understand—is it your understanding, or was it your understanding, that the Company was, in its appraisal, undertaking to capitalize the leasehold value and at the same time include in its expenses rental based on that leasehold value?

A. It is my understanding that the Company is attempting to capitalize the purchase and sale value of those leases [fol. 4313] and it has included in its expense accounts the rentals actually paid thereon.

Q. Paid on the purchase value?

Mr. Calland: Actually paid, he said, under the leases.

Q. Actually paid under the leases; is that your claim?

A. The rentals actually paid.

Q. Is there in your mind any duplication at all between the amount of rentals paid annually under those leasehold estates and the amount at which the leasehold estates have been included in the Company appraisal and have been appraised by the Cleveland Real Estate Board?

A. Yes, sir.

Q. Tell the Commission whether in any appraisal of the property of a telephone company heretofore you have rejected the value of land held by the company under lease or have contended that no allowance should be made for that value?

Mr. Turner: Objection; there is no rejection of value of land made by this witness; he has rejected the value of leaseholds.

(Question read.)

Mr. Turner: I will withdraw the objection. I did not catch it before.

The Witness: In my appraisal of the Cleveland Division of the Ohio State Telephone Company, wherein these same leases were in question, that is exactly what I did, in effect.

[fol. 4314] Q. No, I am not asking you in effect, what have you ever actually done?

A. I have already told in the record, in answer to a previous question, what I did with these leases in that appraisal; they went in my appraisal at $40,000.00, but I did not show any rents paid on there in the expense accounts in the computations that I made of expense accounts.

Q. Did you make any computation for the benefit of this Commission or file any such computation with this Commission?

A. They were made for that purpose but I do not know whether they were filed.

Q. Why were they made for that purpose?

A. I left the employ of the Ohio State Telephone Company before that question came up before the Commission.

Q. And had the Commission asked you for any statement of the Company's revenues and expenses in connection with that valuation which it ordered the Company to make?

A. It did not.

Q. Didn't you, after completing your valuation or appraisal in the Cuyahoga case, take it to the Commission and file it with the Commission, you and Mr. Brooks?

A. Yes, sir.

Q. And didn't that valuation represent your notion of the cost to reproduce the property involved there as of a date certain?

A. Yes, sir, with the exception that I have just given.

Q. And that is the only appraisal of any telephone property of any size which you ever made in the State of Ohio?

[fol. 4315] A. No, sir.

Q. Well, what others have you made?

A. The Ohio Bell Telephone Company.

Q. Well, of course, I am excluding this one; wasn't the Cleveland—the Cuyahoga appraisal the only one of any size which you ever made of a telephone company in the State of Ohio?

A. Prior to the appraisal of The Ohio Bell Telephone Company, yes, sir.

Q. And in that appraisal you did place a substantial value—and in that appraisal of the Cleveland Division property of the Ohio State Telephone Company, formerly owned by the Cuyahoga Telephone Company, you did place a substantial value upon the 99 year leasehold then owned by that company, didn't you?

A. If I remember rightly——

Q. Oh, please answer that question by yes or no.

A. I placed a value of $40,000.00 on it, which was the value handed to me by the Appraisal Department of The Cleveland Real Estate Board, and that value placed thereon by the Cleveland Real Estate Board, as I understand it, was capitalizing the rentals thereon at the rate of five per cent per year; is that your understanding?

A. That was my understanding at the time but it has been so many years ago that at this time I am not sure of the figures.

Q. And in your appraisal of that Cuyahoga property at that time, that is to say, more than ten years ago, you did place then a substantial value on this same leasehold for which you now say in this case that no allowance should be made; isn't that true, and can't you answer that by yes [fol. 4316] or no?

A. $40,000.00, yes.

Q. Now you speak of this appraisal of the leasehold which was given a substantial value in your Cuyahoga case, and for which you have rejected all value in this case, as having been made by the Cleveland Real Estate Board; didn't you incorporate that valuation over your own figure in the reproduction cost value of the Cleveland Division of the Ohio State Telephone Company which you filed with this Commission?

A. I do not remember whether I did or not but I would not be surprised if I did.

Q. And in arriving at the value of that leasehold in your Cuyahoga valuation, didn't you follow exactly the same course as was followed by The Ohio Bell Telephone Company in this case——

A. No, sir.

Q. Namely, of having the Cleveland Real Estate Board Appraisal Committee place a value on that leasehold?

A. Insofar as having the appraisal Committee of the Cleveland Real Estate Board place a value thereon, yes; but as far as placing a value thereon, no, sir.

Q. Well, you took the valuation, did you not, found for that leasehold by the Cleveland Real Estate Board Appraisal Committee and you incorporated it in and made it a part of your valuation in the Cuyahoga case filed with this Commission, didn't you?

A. Yes, sir.

Q. Now you have said that you previously valued these leasehold estates about which you have been talking, and I think at page 2833 of the record you also volunteered the information that you had appraised these same leaseholds [fol. 4317] on former occasions. Having already admitted that you valued the leaseholds represented by Parcel 13, Tract No. 3, in your Cuyahoga valuation at a material sum, and having admitted that you have rejected all value for that leasehold in this case, tell the Commission when and under what circumstances you appraised the leasehold represented by Parcel No. 18, specifically referred to by you at page 2694 of the record?

A. Where is Parcel 18?

Q. Don't you know?

A. No, sir.

Q. Don't you know that that is one of the leasehold estates which you have rejected in this case?

A. I suspect it may be but I do not know what you mean by Parcel 18.

Q. Well, what do you mean by saying that you had appraised these same leaseholds on former occasions?

A. I was referring to the leaseholds underlying the Electric Building.

Q. That is only one of them, isn't it?

A. I think there is two.

Q. But it is all one parcel, isn't it, in the appraisal?

A. I think there is two leases on it; I don't know whether it is treated as two parcels or one.

Q. You do not want the Commission to understand that you have appraised the leasehold underlying its main building, do you?

A. No, sir.

Q. Now as a matter of fact, in this appraisal of the leaseholds in your Cuyahoga appraisal, in respect of which you adopted the appraisal of the Cleveland Real Estate Board's Appraisal Committee, isn't it a fact that one of the ap- [fol. 4318] praisers in your Cuyahoga valuation and one

of the appraisers in The Ohio Bell Telephone Company valuation was the same man?

A. I don't know.

Q. Calling your attention to the item of right of way shown in your figures in this case, didn't you, in your Cuyahoga valuation, make a study of the right of way costs involved there?

A. Yes, sir.

Q. Rather an exhaustive study, wasn't it?

A. Yes, sir.

Q. And you have undertaken to estimate the value of the right of way of The Ohio Bell Telephone Company in this case, haven't you?

A. The amount that should be expended for right of way in reproduction, yes, sir.

Q. Well, is that what you have done?

A. What is the question, please?

(Question read.)

A. Yes, sir.

Q. Now how did what you have done in respect of the right of way in this case differ from what you did in respect of the right of way in the Cuyahoga valuation?

A. In the case of the Cuyahoga valuation I had a detailed inventory of all rights of way enjoyed by the Company, and in that appraisal I placed a reproduction cost on private right of way enjoyed by the Company as of the date certain of the appraisal.

Q. And only on the private right of way enjoyed by the Company?

A. Yes, sir.

Q. I see. Well, in both cases you have undertaken to [fol. 4319] give this Commission the reproduction cost new in your judgment of the right of way owned by the respective companies, haven't you?

A. I have in my reproduction cost of the property of The Ohio Bell Telephone Company as of June 30th, 1925; I have included in my reproduction cost an amount for right of way which amount is my opinion as to the amount that I would budget for right of way purposes were I to reproduce this property.

Q. Oh, is that all you have done in respect of the right of way of the Company in this case?

A. Yes, sir.

Commissioner Maullar: Was that a percentage, Mr. Allensworth?

The Witness: No, sir.

Mr. Turner: If the Commission please, that is a matter governed by statute too, you know.

Q. Now, I suppose you claim to be familiar with right of way costs in the territory of The Ohio Bell Telephone Company as of 6/30/25, do you not?

A. Yes, sir.

Q. Where have you ever acquired right of way for any telephone company in Ohio or elsewhere in the last 15 years?

A. I never acted as right of way agent for any telephone company or any other public utility.

Q. At any time?

A. At no time, no, sir.

Q. So that you have had no experience in the acquisition of rights of way for any public utility?

A. No, sir.

Q. What actual right of way costs of telephone companies have you personally analyzed in Ohio since 1917?

A. The claimed right of way cost of The Ohio Bell Tele-
[fol. 4320] phone Company.

Q. And that is all, is it?

A. Yes, sir.

Q. What analysis did you make of The Ohio Bell Telephone Company's right of way costs?

A. I made a study of the amount claimed in proportion to the size of the property as such things would ordinarily be conceived by an engineer.

Q. Is that the only study you made?

A. That was the only study that was made available to me.

Q. Did you ask for any other information that was not available to you in respect of right of way?

A. Yes, sir.

Q. What was it?

A. I asked for a complete detailed inventory of the private right of way enjoyed by the Company; I was told by the employees of the Company that The Ohio Bell Telephone Company had no complete statement of the right of

way, that they had no records of what the right of way enjoyed, as of June 30th, 1925, may have cost The Ohio Bell Telephone Company; I repeatedly made that request and every time I made the request I was refused.

Q. Weren't you told by the Company's engineers that the facilities of the Company on private right of way were shown on the various engineering map records of the Company but that it would require a large expenditure of time and money to summarize the quantities?

A. Yes, sir, with the additional explanation on the part of your engineer that after that was summarized that that would note a statement of the Company's right of way.

[fol. 4321] Q. Do you mean to say you were told that?

A. Yes. sir.

Q. By whom?

A. By Mr. Schneider.

Q. Was Mr. Williams present at the time?

A. No, sir.

Q. Did you ask permission to investigate any of the Company's records in order to obtain its right of way costs?

A. Not after I was told that the right of way records of the Company were not complete, no, sir.

Q. Weren't you told that those records were being summarized?

A. No, sir.

Q. Have the right of way costs increased in the Ohio Bell Telephone territory as of 6/30/25 over right of way costs contained in your Cuyahoga valuation as of 1914?

A. I don't know whether they have or not.

Q. You do not?

A. I beg your pardon; I understand your question to be, have right of way costs of The Ohio Bell Telephone Company increased?

Q. I did not say anything about that. I said have the right of way costs increased in Ohio in Ohio Bell territory as of 6/30/25 over right of way costs contained in your Cuyahoga valuation as of 1914?

A. I beg your pardon; I misunderstood your question. They have, yes, sir

Q. To what extent?

A. The cost of individual parcels or pieces of right of way have increased quite a considerable extent, I should say.

Q. Can you give us any per cent, 200 per cent or 100 per cent?

A. No, sir, I cannot give you any per cent, because I do [fol. 4322] not remember offhand what costs may have been in 1914.

Q. What will you say as to the salaries of right of way agents as between 1914 and 1925 in Ohio Bell territory?

A. They should have increased.

Q. By what per cent?

A. I do not know the per cent, because, as I said before, I have not at hand the definite information as to what costs were in 1914.

Q. Has not the increase been about 200 per cent?

A. I do not know for the reason that I have just explained.

Q. Where have you experienced as of 6/30/25 or about that date right of way costs such as those applied by you in the present case?

A. I have not experienced any costs of that nature.

Q. I thought not; and yet you have undertaken to estimate the value of the right of way of The Ohio Bell Telephone Company in this case, haven't you?

A. Yes, sir.

Q. And it is at the rate of about one dollar a pole, isn't it?

A. Approximately, yes, sir.

Q. Did you get at it that way?

A. No, sir.

Q. How did you get at it?

A. I got at it by making up the sum that I would budget as right of way expense were I to reproduce this property as of June 30th, 1925.

Q. Give us the component parts of that total sum?

A. There are no component parts of that total sum; that is the sum that I would budget for that purpose.

Q. How did you arrive at it?

A. I arrived at it by my judgment and my knowledge of telephone construction.

[fol. 4323] Q. You just picked it out of the air and said $650,000.00 for the right of way; is that it?

A. No, sir.

Q. How did you get at it; can't you tell the Commission?

A. Yes.

Q. Will you, please?

A. Yes, sir. That is my opinion and my judgment of what right of way would cost were I building the property as of that date.

Q. Give the Commission the facts upon which that alleged judgment is based?

A. The facts upon which that true judgment is based is my experience and my knowledge of telephone construction work.

Q. All right; where have you ever experienced as of 6/30/25 costs such as you have applied in this case to the right of way of the company?

A. I have experienced no such costs as of that date or any other date.

Q. Is that all you can tell the Commission about the way you arrived at the $650,000.00?

A. I think that is sufficient.

Q. Now, as I understand from your testimony, your allowance for right of way is intended to be limited to the amount necessary to reproduce the right of way of The Ohio Bell Telephone Company as of 6/30/25 covered "by private contract in some form or other", record page 2829; is that true?

A. Yes, sir.

Q. Does your term "private contract" refer only to contracts in writing?

A. No, sir.

Q. And your allowance of $650,000.00 in this case is intended to include right of way for poles, crossarms, tree [fol. 4324] trimming rights, cable, conduit, dip laterals and the like covered by private contract; is that correct?

A. Yes, sir.

Q. How many such contracts has The Ohio Bell Telephone Company?

A. I don't know; the Company told me that they didn't know.

Q. How could you value those contracts if you did not know anything about the number?

A. I did not value the contracts.

Q. Oh, but your valuation is intended to include the value of those contracts, isn't it?

A. My reproduction cost is the amount that I would budget as right of way expense were I to reproduce this property as of June 30th, 1925.

Q. And it is supposed to cover, as I understand you, only right of way covered by private contract?

A. Yes, sir, that is the right of way that it would be necessary to acquire by private contract at the time.

Q. How many contracts would be necessary in order to acquire the private right of way of The Ohio Bell Telephone Company as of 6/30/25?

A. I don't know.

Q. And yet you undertook to budget an amount representing that cost, didn't you?

A. Certainly.

Q. How many poles are covered by private contracts in The Ohio Bell Telephone Company system?

A. I don't know that.

Q. You don't know how many anchors, do you?

A. No, sir; your company told me that they didn't know.

[fol. 4325] Q. And you don't know how many tree trimming rights are covered by private contract, do you?

A. No, sir.

Q. Or how many overhanging crossarms or terminals?

A. No, sir.

Q. Or how many miles or wire?

A. How many miles of wire what?

Q. Of The Ohio Bell Telephone Company are covered by private contract?

A. No, sir, I do not.

Q. For right of way? (No reply.)

Q. Do you know how many feet of the Company's aerial cable are covered by private contract for rights of way?

A. No, sir.

Q. Nor you don't know that in respect of the trench feet of underground conduit, do you?

A. No, sir.

Q. Or its dip laterals?

A. No, sir.

Q. Nor you don't know how many such contracts would be required in your judgment to reproduce the right of way of the Company, do you?

A. In number of contracts, no, sir.

Q. And yet you have undertaken to budget that cost as you say?

A. Certainly; that is what any engineer would do in the building of a telephone property, and no engineer would

know how many separate contracts as to what particular types of plant would be required in advance of building the property.

Q. Now when you say you have excluded all right of way of the company not covered by private contract, what do you mean?

A. I meant that I had budgeted an amount that would [fol. 4326] provide for the acquisition of right of way acquired by contract with private parties as distinguished from the rights of way acquired from public authority by franchise rights of the Company.

Q. As of 6/30/25 didn't it cost the Ohio Bell anything to reproduce its right of way in public property?

A. I don't know.

Q. Whether covered by private contract or not?

A. I don't know whether it did or not; I make no such allowance for any such cost in my right of way.

Q. And you exclude—you have excluded the value of all right of way in public property, as I understand it?

A. In public ways, yes.

Q. How long has that been your practice?

A. I don't know that I have ever followed any other practice.

Q. In your Cuyahoga case did you include nothing for right of way for poles on public highways?

A. As I remember it, I did not make any such inclusion.

Q. Now you say that you made no allowance in your valuation for the poles—for the right of way for poles in public highways in your Cuyahoga case and you say that you have made no allowance for such poles in this case. Look at Volume 1 of the valuation for the Cleveland Division of the Ohio State Telephone Company, known as the Cuyahoga valuation in our discussions in this case, that valuation having been filed with this Commission, and tell the Commission, by reference to Page 7, what was the total amount for your right of way shown in that valuation?

A. The cost of reproduction as appears on this page is [fol. 4327] $263,135.36.

Q. And that was the amount which you stated in that valuation as the cost to reproduce the right of way of The Ohio State Telephone Company's Cleveland Division, known as the Cuyahoga property, wasn't it?

A. Yes.

Q. Now then look at page 8 of that same volume and tell the Commission whether that total of $263,135.36 was not made up of the total cost of all exchanges for right of way of $250,000.00 plus the item of interest, taxes and insurance during construction of $13,136.36, making your total right of way cost $263,135.36?

A. It so appears on the page you show me, yes.

Q. Well, isn't that true?

A. I just said that it was.

Q. Now then wasn't your $250,000.00 just referred to made up of these items; rights for poles on highways, $78,525.00?

A. I suspect that it was.

Q. And yet you have not made any allowance—did not make any allowance in that case for right of way for poles on public highways?

A. No, sir.

Mr. Turner: Just a minute, if the Commission please; I think there is a possibility that the statute is different now than it was then.

Mr. Burr: I am not talking about the statute.

Mr. Turner: Well, I am talking about the law.

Mr. Burr: I am asking for a question of fact.

Mr. Turner: We are talking about the law. There is a legal question now. If there was no law against including [fol. 4328] it in 1914, or whenever this was made, and there was a law in 1925 excluding it, that is the answer. It is not a question of cross-examination; it is a question of law.

Chairman Klinger: He has a right to cross-examine him and that can be explained, if that was the case. If that brought a change about, it can be brought out and the explanation given. You may proceed with the cross-examination.

Mr. Burr: And he already denied that he made any allowance for poles in public highways in the Cuyahoga case.

Mr. Turner: When his attention was called to it, he admitted it.

Mr. Burr: Well, it is rather material in this case.

Mr. Turner: Without showing him the paper you asked him about it and then you go down to details. That was a paper of years ago.

Mr. Calland: He said he did not recall and when you showed him the paper he said yes, he did.

Mr. Burr: I think he will recall it before he gets through.

By Mr. Burr:

Q. So I will ask you again whether that $250,000.00 was not made up first of rights for poles on highways, $78,525.00——

Mr. Turner: Just a minute now. We request that the witness be shown the papers in that case. The State has some rights here now—it is not a question of the witness—[fol. 4329] the state has some rights, and if you are going to examine about a paper years ago, we have a right to have the witness shown the paper.

Chairman Klinger: Yes, but if the witness knows from his recollection he may answer, and if he does not he may call for the paper.

Mr. Turner: They are examining about a paper filed in this Commission and if they are examining about that we have a right to have it shown to the witness.

Chairman Klinger: He asked him if he did not so testify.

Mr. Burr: Exactly so. Your Honor is right.

(Question read.)

Mr. Turner: I admit if he has a recollection he may answer, but——

Chairman Klinger: Yes, and if he has not, he may call for the paper.

Mr. Turner: I thought he was examining about that exhibit.

(Question read.)

The Witness: I suspect that it may have been; I do not remember the amount.

Q. And have you any copies of the papers in your files by which you arrived at the $250,000.00 total right of way in that case?

A. No, sir.

Q. Now tell the Commission whether your $250,000.00 is not made up, in addition to the $78,525.00 for rights for poles on highways, of the following items:

[fol. 4330] Rights for poles on private property $31,552.50
Rights for anchors 9,105.00
Rights for subsidiary conduit on private property 4,300.00
C. E. I. Company—which I assume to be the Cleveland Electric Illuminating Company—poles substituted by the Cuyahoga Telephone Company 53,125.00
C. E. I. poles occupied by the Cuyahoga Telephone Company 42,050.00
Miscellaneous permits 31,343.97
Total $250,000.00

Isn't that true?

A. I don't know whether it is or not, but I suspect that the amounts may be approximately correct.

Q. Now this same right of way that you appraised in your Cuyahoga valuation is now a part of the right of way of The Ohio Bell Telephone Company, isn't it?

A. No, sir.

Q. It is not?

A. No, sir.

Q. No part of it?

A. Yes, sir.

Q. How do you know that it is not a part of the right of way of The Ohio Bell Telephone Company?

A. Because when I was in Cleveland I walked around the streets and many of the poles covered in that right of way have now disappeared.

Q. Well, substantially all of it is there still though, isn't it?

A. I don't know.

Q. Very well; now then, referring again to your appraisal in the Cuyahoga matter, and in which you gave rights for poles on highways of $78,525.00, tell the Commission [fol. 4331] whether or not there were not 15,705 poles of that kind in that property at that time?

A. I don't remember whether there was or not.

Q. Well, now, let me ask you this; don't you remember that you valued in that appraisal the poles of that company in public highways at exactly $5.00 a pole?

A. I do not remember that, but it is possible that I did.

Q. You do not deny it, do you?

A. No, sir.

Q. And don't you remember that for the 4207 poles of the company on private property you included in your appraisal a value of $7.50 per pole?

A. No, sir, I do not remember that.

Q. You do not deny it, do you?

A. No, sir.

Q. And didn't you allow in that appraisal for all of the Company's anchors, wherever located and however placed, totaling 1821 anchors, precisely the sum of $5.00 per anchor?

A. I do not remember.

Q. But you do not deny that, do you?

A. No, sir.

Q. Now for the 172 runs for subsidiary conduit on private property, don't you know that you included $25.00 per run in your Cuyahoga valuation?

A. No, sir.

Q. And you do not deny that, do you?

A. No, sir.

Q. Do you remember that in order to acquire rights of way for the Cuyahoga Telephone Company there were substituted by that company for poles of the C. E. I. Company, poles of the Cuyahoga Telephone Company to the number of 1438?

A. No, sir.

Q. You do not deny that that is true, do you?

[fol. 4332] A. It may have been; I am not denying it, no, sir.

Q. And that your valuation of the rights of way for those 1438 poles was $53,123.50?

A. I do not know whether it was or not.

Q. But you do not deny it?

A. No, sir.

Q. Do you know that in the case of the 8410 poles of the C. E. I. Company occupied by the Cuyahoga Telephone Company you allowed for right of way $5.00 per pole, or $42,050.00?

A. I do not know that, no, sir.

Q. And you haven't any recollection of it?

A. No, sir.

Q. But you do not deny it?

A. I do not deny it.

Q. Now do you mean to tell this Commission, Mr. Allens-

worth, that you cannot remember that in your Cuyahoga valuation you set up a value of, and allowed, $5.00 per pole, for all of the poles of that company in public highways?

A. What poles are you referring to?

Q. All of the poles of the Ohio State Telephone Company's Cleveland Division, formerly known as the property of the Cuyahoga Telephone Company?

A. Setting in public highways?

Q. Yes.

A. And property of the telephone company?

Q. Poles of the telephone company, yes.

A. I am telling you and I am telling the Commission that I do not know at this late date whether I place a right of way cost thereon of $5.00 or $4.00 or $10.00.

Q. All right.

A. But I do have a very definite recollection of what that right of way is.

Q. Very well. Taking the $5.00 per pole allowance for [fol. 4333] poles in public highways which you made in the Cuyahoga case and considering the fact that you have disallowed all value for such poles in your appraisal in The Ohio Bell Telephone case; giving you the benefit of the assumption that all poles of The Ohio Bell Telephone Company are located in the public highways, which, of course, is contrary to the record in this case, and applying to the 654,098 poles and the 79,164 anchors of the Company as of June 30th, 1925, your figure in the Cuyahoga case of $5.00 per public highway pole and $5.00 per anchor, and allowing nothing for the hundreds of the Company's conduit runs in private property, or for any other of its rights of way, your figure for The Ohio Bell Telephone Company's right of way as of June 30th, 1925, instead of $650,000.00 to which you have repeatedly sworn in this case, would be $3,666,310.00, wouldn't it?

A. I do not know whether it would or not.

Q. Well, do you deny that?

A. Pardon me——

Q. Do you deny it?

A. Yes; it may be as a matter of mere arithmetic that that sum would be produced, but conditions in other places in the State are in no way comparable to the conditions under which the Cuyahoga telephone plant in Cleveland was built and the right of way cost of those poles setting in the

public highways in Cleveland, as I set them up in my 1914 appraisal, is not at all the same right of way that you have been referring to, as I understand it, in my exclusion of any allowance for right of way on poles of The Ohio Bell Telephone Company setting in the public highways.

[fol. 4334] Q. Give us the cost of an Ohio Bell Telephone Company pole setting, as you say, in the public highway?

A. There should not be any.

Q. Didn't you allow for all such right of way in your Cuyahoga valuation?

A. Yes, sir, and for a very definite reason.

Q. Do you mean to tell this Commission that there is no cost connected with the acquisition of right of way for the poles of The Ohio Bell Telephone Company as of 6/30/25 in public highways?

A. I told the Commission there should be no cost; I do not know whether there is or not.

Q. And is that the only reason why you have rejected all costs for these poles in this case?

A. The reason that I rejected or did not include—I made no rejection—I do not like your word—the reason I did not include any such allowance in my estimation of the reproduction cost of right of way was that I did not think in my opinion any allowance should be made.

Q. And notwithstanding the fact that you say the right of way costs in Ohio as of 1925 for the Bell System property have materially increased over those in 1914, and notwithstanding the fact that you allowed $5.00 per pole for every public highway pole in that case, you nevertheless have disallowed any value for those poles in this case, haven't you?

Mr. Turner: Again we call the Commission's attention to the fact that it was a question of law.

Chairman Klinger: I understand, but the question as to [fol. 4335] what he did is proper; that is a matter that can be explained away by the law.

Q. And in the Cuyahoga case you were working for the telephone company, weren't you?

A. Yes.

Q. And here you are working against the telephone company, aren't you?

A. No, sir.

Q. You are not working for the telephone company are you?

A. No, sir.

Q. Now, using that $5.00 illustration, which comes to $3,666,310.00 for the right of way in this case, that compares, does it not, with the $1,939,923.00 that the Company has given as its right of way cost in this case; isn't that true?

A. No, sir.

Q. Well, let us see about that. The Company's valuation shows $1,939,923.00 doesn't it?

A. As I remember the amount, yes.

Q. And your only allowance for right of way is $650,000.00, isn't it?

A. I expect so, yes.

Q. That is enough for that; do you want this Commission to understand that the permits for poles in public highways cost The Ohio Bell Telephone Company nothing as of 6/30/25?

A. What permits do you refer to?

Q. The right to erect poles in the public highways in front of privately owned property?

A. That would be private right of way, if it is a contract with a private party.

Q. Did you make any such distinction in your Cuyahoga case?

A. Yes.

[fol. 4336] Q. Didn't you allow $5.00 for every pole in the Cuyahoga case in the public highways?

A. If that is the correct amount; I made some allowance for every pole, yes, but it was an average amount.

Q. And it was $5.00, wasn't it?

A. I don't know.

Q. Where have you made any such allowance in the present case?

A. I did not make any such allowance in the present case; there should be no such allowance in the present case.

Q. In arriving at your figure of $650,000.00 for right of way, exactly what weight did you give to the fact, as you say, page 2692, "The Company reports right of way rentals for 1924, Exchange $21,998.57, toll $14,839.21, a total of $36,837.78"?

A. I did not give that particular fact any particular consideration in the determination of my reproduction cost right of way.

Q. Why did you put that into the record so positively then?

A. To direct the Commission's attention to the fact that there was right of way enjoyed by the Company under an annual rental.

Mr. Burr: Before leaving the question of Mr. Allensworth's right of way valuation in the Cuyahoga case I would like to ask him to look up his records and verify the figures which I have given him and those allowed by him for poles in public highways and the other figures making up the total of $250,000.00 referred to in my questions, and ask him to tell this Commission whether or not he did not make those allowances for those various kinds of rights of [fol. 4337] way and in those amounts in this case, with the understanding that if he does not advise us to the contrary, we can assume that those are correct. I give my word that they are correct, and I ask Mr. Allensworth to verify that and correct me if I am wrong in order that we may speed the hearing as much as possible.

Chairman Klinger: Have you a memorandum so you can answer?

The Witness: I have not. I have no details in my files that I know of.

By Mr. Burr:

Q. You can find that out, can't you?

A. I don't know of any way that I can find it out.

Q. You don't want to find it out, do you?

A. I would be very glad to if I can.

Q. Will you try to?

A. Yes.

Q. If you do not advise this Commission to the contrary, may we assume that those figures are correct?

A. I suppose we will be obliged to if I have no data or no information.

Mr. Turner: He is not the one that makes the admission. We are the ones that make the admission; he can not make admissions on behalf of the State.

Mr. Burr: Will you admit it?

Mr. Turner: Yes, if you say upon your word of honor

that it is true, that is all there is to it. But the witness has no right to make admissions against or for the State.

Mr. Burr: I think you are probably right about that. I accept the correction; but I make that statement, that those [fol. 4338] amounts are true, and for the various items of right of way included in the questions, and I would like to have the record show that they are accepted unless I am shown to be wrong.

Mr. Turner: Unless we question it hereafter.

Q. Now look at Account No. 332, page 52 of the Interstate Commerce Commission's System of Accounts, and read into the record the description of that account, page 52; will you read it into the record, please?

A. Acount No. 332 as shown on page 52 of the Uniform System of Accounts for Telephone Companies as prescribed by the Interstate Commerce Commission in accordance with Section 20 of the Act Regulating Commerce, First Issue Effect on January the 1st, 1918, printed in Washington under the date 1915, reads as follows:

"Rent deductions for conduits, poles and other supports. This account should include the rents payable accruing for the use of ducts, conduits, or subways owned by others and rents for the use of poles, fences or buildings as support for the telephone lines of the accounting company". That is the end of the paragraph.

Q. That is an expense account, isn't it?

A. As I read it here, it is a deduction; it is a rent deduction.

Q. A rent deduction from revenue?

A. Yes, sir.

Q. All right; does that account, which is an expense account or a deduction from revenues, cover rentals for plant and equipment owned by the company, that is to say The [fol. 4339] Ohio Bell Telephone Company in this case, or owned by others?

A. It does not include either; my understanding of right of way is that it is an easement on somebody's property.

Q. It is an easement for facilities owned by the Company, in this case The Ohio Bell Telephone Company, on the property of others, isn't it?

A. It should be.

Q. Don't you know that Account 332, Rent Deductions for Conduits, Poles and other Supports, and which you have

erroneously designated as right of way rentals in your testimony, does not include or represent any right of way as such?

A. I do not know that, no, sir.

Q. Don't you know that it covers rentals paid by The Ohio Bell Telephone Company for the use of facilities owned by others?

A. It may be; I don't know that.

Q. Don't you know that these rentals which you have erroneously termed right of way rentals have nothing whatsoever to do with right of way?

A. No, sir.

Q. Do you say they do have something to do with them?

A. It was my information, by your Mr. Rickey, that they do have something to do with right of way and they were right of way rentals, as I understood his explanation.

Q. Isn't it a question of accounting?

A. I should think so.

Q. And isn't that accounting provided for by this Commission's system of accounts?

A. It is.

Q. So it does not make any difference what anybody says about it, it is a question of this Commission's system of [fol. 4340] accounts, isn't it?

A. Insofar as the account itself is concerned, yes, but the Commission does not make the entries to those accounts.

Q. Then you are not willing to admit that Account 332, Rent Deductions, bears no relation to the Right of Way Account?

A. No, sir.

Q. Well, if the amounts charged to Account 332, "Rent Deductions for conduits, poles and other supports", are not related to the capital account, right of way, what revision would you make in your allowance of $650,000.00 for right of way?

A. I would not make any.

Q. Now at page 2693 of the record, Mr. Turner asked you this: "I just want to ask you the question as to whether any of this expense to which you have just referred goes prior to operating expenses." (No reply.)

And thereupon a recess was taken until 1.30 o'clock P. M. of same day.

[fol. 4341] Afternoon Session

Thursday, August 16th, 1928.

And also HARRY R. ALLENSWORTH, resuming the stand for further cross-examination, having been heretofore duly sworn, continued his testimony as follows:

Cross examined by Mr. Burr:

Chairman Klinger: You may proceed.

(Pending question read.)

Q. What did you understand by that question?

A. My understanding was that whether or not those amounts in effect were included or a part of the operating expenses; if you will read my answer I think you will find that is very clear.

Q. Yes, but the subject upon which you were being examined at that time was what you term right of way rentals, wasn't it?

A. Yes, sir.

Q. Still on that subject of right of way——

Mr. Turner: I would like to call attention to the fact that I do not recall asking the question with the word "prior"; I don't know what was under it in our copy of the transcript.

Mr. Burr: Do you wish to change it?

Mr. Turner: Leave the word "prior" out—"goes into" [fol. 4342] —"into" is the only word—but the word "prior" does not belong there.

Mr. Burr: There is no word "in"; do you want the word "prior" to be eliminated and substitute the word "in"?

Mr. Turner: Yes, there was something underneath "prior" in both of our copies of the record; I do not remember using the word "prior" and it does not make sense, as far as I understand the situation.

Mr. Burr: Well, I assume that.

Mr. Turner: And it would not be the first time that the transcript stenographer has made a mistake.

Mr. Williams: What page is that on?

Mr. Turner: 2693; the whole thing has been changed; another word is erased there and another word "to" is written over it and "have just" have been put in.

Mr. Williams: There has been no change where "prior" occurs in our record.

Mr. Turner: Well, it has been in both of ours.

Mr. Burr: Suppose you correct the record the way you would like to have it.

Mr. Turner: Just strike the word "prior" out or use the word "in"—"goes into operating expenses".

By Mr. Burr:

Q. I understood you to say prior to the luncheon recess that right of way of The Ohio Bell Telephone Company in public property as of 6/30/25 ought not to cost or to have cost the Company anything; that is correct, wasn't it?

A. That is correct, and what I meant by that was that it [fol. 4343] should not have cost anything other than payments to private parties under private contract.

Q. Then your position now is that the acquisition of that kind of right of way did and does cost the Company something as of that time?

A. If you are referring to right of way enjoyed under private contract, yes, sir.

Q. Independently of the question of contract, do you want this Commission to understand that the acquisition of the right to place a pole in a public highway should not and did not cost The Ohio Bell Telephone Company anything as of 6/30/25?

A. It should not have cost The Ohio Bell Telephone Company anything and probably did not cost The Ohio Bell Telephone Company anything in the way of capital charges.

Q. Did not such acquisition require negotiations between the right of way agents of the Company and the owners of private property abutting on the public highway or other public property?

A. I do not know whether it did or not.

Q. I see. Didn't it also require negotiations between the Company's right of way agents and the State, County or Municipal highway authorities?

A. I do not know whether it did or not.

Q. You do not know the law in that respect, do you?

A. I am not fully familiar with the law as a law, and I am especially not familiar with the procedure of the Telephone Company in that regard.

Q. Yes; and yet, notwithstanding all of that unfamiliarity, [fol. 4344] you have undertaken to budget, as you say, the right of way cost of The Ohio Bell Telephone Company's right of way as of 6/30/25?

A. Certainly, on the basis of the way I would acquire the right of way; not on the basis of the way the Company may have acquired it.

Q. Well, what part of your right of way cost of $650,000.00 represents the amount of money paid to abutting property owners?

A. That represents the amount that I would budget for the payment of all right of way.

Q. I know, but I asked you how much of it?

A. I have made no separation as to how much.

Q. You cannot tell, can you?

A. No, sir.

Q. Divide that $650,000.00, if you please, between the salaries, wages, traveling expenses of right of way agents, attorney fees incurred in securing right of way, Court and other litigation costs, maps and plots and surveys, estimates or any other way you please, and tell the Commission what part of the $650,000.00 represents those items or any other items that you can separate and segregate out of your $650,000.00 total?

A. It cannot be so separated. Neither could the $1,900,000.00 amount claimed by the Company be so separated.

Q. You cannot tell this Commission how you arrived at the $650,000.00 can you?

A. Yes, sir, I have told the Commission.

Q. Well, how did you do it; let us have it again?

A. That is my judgment and is the amount I would budget as right of way expense were I to reproduce this prop-
[fol. 4345] erty as of June 30th, 1925.

Q. Give the Commission a single fact substantiating that judgment?

A. The facts substantiating that judgment is my experience in the construction work, my knowledge of how right of way may be procured, and my own personal experience in the acquisition of some right of way for the benefit of the Bell Telephone Company in Columbus.

Q. Tell me any telephone company in the State of Ohio within the last fifteen years that has experienced right of way costs such as those contemplated in your $650,000.00 allowance in this case?

A. I do not know of any such company.

Q. Of course you do not. In this so-called budget of yours did you build up an organization on paper for the purpose of obtaining right of way for the company?

A. No, sir.

Q. No, you did not. How many right of way agents would be necessary to acquire and reproduce the right of way of The Ohio Bell Telephone Company as of 6/30/25?

Mr. Turner: Just a moment; I want to object, so that I get this to the Commission, as I understand the status of the record; no such evidence has been offered in chief to justify this. Now the burden is on the telephone company to show its values; it has not shown these things about which it is cross-examining. Now ordinarily in cross-examination those questions are proper to an expert, I admit that, but in this case they have not—having the burden, they have not shown that value in themselves.

[fol. 4346] Mr. Burr: Even conceding that to be true for the moment, what has that to do with our right to test the basis of this figure of $650,000.00 which the witness says he has budgeted, and for which, according to my understanding, he has not yet given the slightest authority or foundation.

Mr. Turner: Perhaps you have that right, but——

Chairman Klinger: I think he has a right to cross-examine him on his own computation.

Mr. Turner: I realize that, but it was the other thing that was sticking in my mind.

Commissioner Huffman: That is something for the Commission no doubt to consider at a later date.

Mr. Turner: Yes.

Mr. Burr: Oh, yes, and the Commission will also consider the fact that we followed an unbroken practice of this Commission over a period of 15 years in our computation of the right of way costs of this Company.

Commissioner Huffman: Yes, but the evidence—if historical costs are going to be a criterion in this case, then of course the Company is going to predicate its claim upon that basis and pursue that course in the presentation of its case.

Mr. Turner: That is one of the bases of my objection.

Mr. Burr: I did not get that at all. Let us get at this and see what is meant by that. Will the Commissioner elucidate?

Commissioner Huffman: Yes; if your reproduction is [fol. 4347] not upon a theoretical basis but is upon historical value, then that course should be pursued by the Company,

if the basis for its attack on the presentation of evidence by the witnesses for the State be taken into consideration.

Mr. Burr: I do not understand it yet.

Commissioner Huffman: I do not know how to make it clearer.

Mr. Calland: I don't either.

Mr. Burr: Of course in this case the Company reproduction cost for its right of way is calculated according to the method pursued by this Commission in an unbroken line of cases since the inception of this Commission.

Mr. Turner: Is there any evidence to that effect?

Mr. Burr: I believe the record is full of it, and Mr. Williams for the Company so testified, I believe. Mr. Williams I think also testified in the record that he was present and working for the Commission when that three per cent was arrived at and he knows how it was reached.

Mr. Hagenah, the Commission's engineer, used the three per cent. Mr. Sloan, another valuation engineer for the Company, used three per cent. The Commission is using that three per cent today in all of its telephone cases. Now we have followed the practice of the Commission in that respect, but here is a witness who is disregarding the Commission's practice and claiming that he knows more about the subject than the Commission.

Commissioner Huffman: Yes, but you are cross-examining here constantly referring to the actual cost to the Com-[fol. 4348] pany.

Mr. Burr: Well, that is as of 6/30/25, as of the date of the appraisal.

Mr. Turner: That is all we have before us, 6/30/25.

Commissioner Huffman: The procedure on 6/30/25 must be upon a theoretical basis.

Mr. Turner: He is cross-examining a theoretical basis with an historical basis.

Mr. Burr: Your Honors, this witness has given $650,000.00 as the reproduction cost new of the right of way of The Ohio Bell Telephone Company as of 6/30/25; all we are asking him to do is to break up that $650,000.00 into its component parts so that we can find out how he arrived at it.

Mr. Turner: He shows how he arrived at it, by the same educated guess that the rest of them did.

Chairman Klinger: And he has answered that he did not do it in all——

Mr. Burr: That is all we want; he could not do it and no one else could do it.

Mr. Turner: It is an educated guess all along the line, isn't it?

Mr. Burr: I don't think so.

Commissioner Huffman: I think to pursue that question further, when the witness has made clear that he hasn't it, is just simply adding to the record without helping the Commission any, because once in the record is as good as a dozen times—admitting the right to pursue that at con-
[fol. 4349] siderable length on cross-examination, Mr. Burr.

By Mr. Burr:

Q. At page 2830 of the record there was a question by Mr. Turner relative to the right of way as follows: "Or wherever they had to pay for it; did you include that?" And you answered "Yes, sir, if some payment was made". What did you mean by that?

A. What I meant by that is that my allowance for right of way in my reproduction cost is to cover such payments as would actually have to be made in the reproduction of this property as of June 30th, 1925.

Q. Yes, but you did not as a matter of fact include payment wherever the Company had to pay for it, did you?

A. No, sir.

Q. And your answer was not correct in that respect, was it?

A. It was not correct on the interpretation you put on it, Mr. Burr.

Q. What interpretation did you put on it?

A. I just gave you my interpretation in my previous answer.

Q. Now in how many cases did the Company make payment?

A. I do not know. I asked for that information and it was refused me.

Q. So that you did not correctly answer Mr. Turner's question when he said "Wherever they had to pay for it; did you include that?" and you said "Yes, sir"?

A. If there is any error in that answer it is corrected in my answers to your recent questions.

Commissioner Huffman: Wouldn't it clear the record by saying that insofar as you were advised of payments hav-
[fol. 4350] ing been made?

The Witness: How?

Commissioner Huffman: Isn't it a fact you included it insofar as you were advised of payment having actually been made?

The Witness: Yes, Your Honor, but I had no information as to these amounts paid or the number of right of way contracts enjoyed by the Company. I requested that information and it was denied.

By Mr. Burr:

Q. Then if you did not know in how many cases the Company made payment of right of way, how can you tell the Commissioner you included an allowance in your figures for right of way "wherever the Company had to pay for it"?

A. I have explained that I think in my answer to your recent question, that what I meant by that answer was, although the wording may appear at this late date unfortunate—that I had included in my estimate of the cost of right of way what I believed would be incurred, what expense would be incurred, in the acquisition of right of way in the reproduction of this property as of June 30th, 1925.

Q. That was not what Mr. Commissioner Huffman asked you.

Commissioner Huffman: No, that does not answer what I said.

Mr. Calland: But I think he did answer your question when he said he had no information furnished him as to any payments for right of way.

[fol. 4351] Commissioner Huffman: But my question of course presumed he had been informed in certain cases but not informed in other cases.

Mr. Calland: And he straightened that out by saying he had no information.

Commissioner Huffman: I believe that could be drawn from that answer.

By Mr. Burr:

Q. Isn't substantially 40 per cent of The Ohio Bell Telephone Company's exchange property located in Cuyahoga County?

A. I do not know.

Q. You don't know that at all, do you?

A. No, sir. I would like to add that I made some computations as to the relative amounts of property in various areas, but that was a work sheet computation made, and what the percentages were or the amounts, I do not remember at this time.

Q. Well, isn't substantially 90 per cent of The Ohio Bell Telephone Company's exchange property located in the eight largest cities in Ohio?

A. I do not know offhand but it would not surprise me if that were true.

Q. How long have you maintained that the cost to reproduce right of way in public property should be rejected or disallowed in a rate case valuation?

Mr. Calland: He answered that once this morning.

Mr. Burr: I do not remember his answer.

A. I do not remember that I ever included any right of way value for right of way enjoyed by a telephone company in public ways excepting in the case of Cleveland, where there was no allowance made for a very specific reason.

[fol. 4352] Q. Well, let us have the reason now; we might as well have it.

A. What reason are you referring to?

Q. The specific reason just referred to in your last answer?

A. The reason for making an allowance for what is set up apparently in the memorandum read by Mr. Burr on the record, which purports to be my memorandum on the detail of reproduction cost of right of way in 1914 for the Cleveland Division of the Ohio State Telephone property, which detail as he read it had in there an item for right of way of poles in public ways, the circumstances associated with that particular appraisal and the reason for that allowance in my reproduction cost, if such allowance was made, was that the property of the Ohio State Telephone Company in Cleveland and its suburbs was acquired by the Ohio State Telephone Company by purchase from the former Cuyahoga Telephone Company.

In the original construction of the Cuyahoga Telephone Company in 1899 I was on the ground and was employed by that Company. I knew and do now know that the property was built under the most extreme of competitive conditions and the cost of securing the rights to set the poles

in the streets in that particular instance did amount to a sum of money.

In making that allowance in the Cleveland appraisal it should not be interpreted to mean that I assigned a certain amount of cost of right of way to each particular pole in the plant; that is not so. The fact is that the total cost of certain kinds of right of way was estimated and [fol. 4353] spread on a flat amount and expressed in terms of so much per pole, whatever that amount may have been.

It should be perfectly obvious that in the reproduction of the property of The Ohio Bell Telephone Company as of June 30th, 1925, no such competitive conditions could possibly exist.

Q. Was the competitive condition the only one which made the costs higher in that case than the average case?

A. The competitive condition was the source of all of the demands for charges.

Q. What do you mean by the competitive condition?

A. The fact that on the streets in Cleveland there was at the time, as I remember, three lines of poles; there was the poles of The Cleveland Electric Illuminating Company; there was the pole lines of the Cleveland Municipal Light Plant, street lighting system; there was the pole lines of the Cleveland Telephone Company, and in addition thereto there was the pole lines of the Cleveland Street Railway Company. And the Cuyahoga Company in coming into Cleveland at that time was obliged to erect poles upon streets which at the time were very well filled with poles. The property owners in some cases did object very strenuously, and it is a matter of telephone history that some of the objections took a very—very competitive aspect.

Q. Have you finished?

A. Yes, sir.

Q. Do you mean to say by that that the costs to the Cuyahoga Telephone Company in public highways in Cleveland for right of way were higher than the costs of [fol. 4354] the Cleveland Telephone Company in that city for the same kind of right of way?

A. I don't know what costs the Cleveland Telephone Company may have had.

Q. Then you do not know whether the costs were higher under the competitive conditions than to one of the other wire-using companies in Cleveland at that time, do you?

A. I do not, and I do not make any such statement.

Q. Now, don't these competitive conditions that you talk about exist in the Ohio Bell Territory today?

A. No, sir.

Q. No, I suppose not. In Columbus, for instance, haven't we the poles of more than one wire-using company in the streets?

A. Yes, sir.

Q. And haven't we in Akron?

A. Yes, sir.

Q. And isn't it true that in Toledo one wire-using company by ordinance may not use the poles of another wire-using company?

A. I am not familiar with the ordinances of Toledo.

Q. Don't you know that in Toledo each wire using company by ordinance has and must have a separate pole line for its own wires?

A. I do not know of any such ordinance.

Q. I see. Now I understand that you place this excessive cost on the ground of the competitive conditions; you testified to the value of the right of way involved in the Tri-State case, didn't you?

A. Yes, sir.

Q. And part of the property involved in that case and for which you determined the right of way values for- [fol. 4355] merly belonged to the Northwestern Company, didn't it?

A. Yes, sir.

Q. Do you remember that in that case, notwithstanding the Tri-State Company was the second company in the field, and therefore what we may call the competing company with those already there, you accepted and used as the right of way costs in that case the right of way costs of the Northwestern Company, that is, the first company in the field; now didn't you do that?

A. No, sir, I do not remember that I did.

Q. All right, we will see if we cannot refresh your recollection in that respect. I hand you Volume 2 of the record of your testimony in that case and ask you if you remember this part of it——

Chairman Klinger: Let him look at it, and then he can answer your question.

Q. "How did you arrive at the actual figure $22.20 at the cost of acquiring those rights of way other than the amount paid the grantor?" And you answered "That is determined from the experience of the large telephone companies in the State of Minnesota acquiring right of way permits. The record of the Northwestern Telephone Exchange Company being more specific in this respect, the accounting being kept in clearer detail, much of the data was taken from the costs incurred in the Northwestern Company in securing right of way privileges, basing that cost upon a per contract basis. That cost having been ascertained by the Northwestern Company and checked by the valuation department of the Tri-State Company against [fol. 4356] the records of the Tri-State Company, which records were not so clear." And didn't you, after making that check, use as the right of way costs for the Tri-State property involved in that case the right of way costs of the Northwestern Company, which was the first company in the field?

A. No, sir.

Q. All right; you have answered the question. Well, let's see; reading on, Mr. Allensworth, from the record in that case, I call your attention to the following question: "Such records as were available on the part of the Tri-State Company were corroborative or not?" And you answered "They were corroborative. The costs as ascertained by the Northwestern Company were found to be practically the same as the same costs experiences by the Tri-State Company." Do you remember of answering that way in that case?

A. I do not remember it, but I assume that this record is probably correct and am willing to accept it as such.

Q. And you still say that you did not use for your right of way costs in that case for the Tri-State property substantially the same costs as those evolved by your examination of the records of the Northwestern Company?

A. I did not.

Q. What was your purpose in testifying that the costs as ascertained by the Northwestern Company were found to be practically the same as the costs experienced by the Tri-State Company?

A. That was merely one element of right of way cost, Mr. Burr.

Q. That was a fact though, wasn't it?

A. That was one fact, one element.

[fol. 4357] Q. You cannot tell the Commission, can you, the cost to reproduce as of 6/30/25 the poles and anchors on private right-of-way of The Ohio Bell Telephone Company in Akron, can you?

A. No, sir.

Q. Or in Canton?

A. No, sir.

Q. Or Youngstown or any other city in the state, can you?

A. I made no such determination, no, sir.

Q. Nor the cost to reproduce such of the poles and anchors in those cities as were on public property?

A. I made no separation, no, sir.

Q. In computing your right-of-way cost, what right-of-way salaries of agents and employees did you take into consideration?

A. I did not set up any salary scales or costs of right-of-way agents in making my estimate.

Q. But in computing the other property of The Ohio Bell Telephone Company you took into consideration and used its effective wage scales as of 6/30/25, didn't you?

A. No, sir, only on labor unit costs in the reproduction of the physical plant. I did not know, nor did I take into account the salary of the president nor the salary of the general counsel of the company or the salary of its chief engineer or the salary of its plant superintendent.

Q. Didn't you take into consideration the wages and salaries of any construction people in arriving at your reproduction cost?

A. From gang foreman down, yes.

Q. Those are the people that reproduce the property, aren't they; that is they involve the direct construction costs of the property, don't they?

A. They are directly involved in the construction of prop-

[fol. 4358] erty, yes, sir.

Q. And don't the right-of-way agents directly produce the right-of-way of the company?

A. Not always.

Q. Well, don't they usually do it?

A. I don't know whether they do or not; I am not familiar with the operation of the Ohio Bell Telephone Company.

Q. All right. What do you know of the density of traffic in the 8 largest cities in Ohio, that is in the Bell Telephone territory in Ohio, as compared with Cleveland in 1914?

A. What do you mean by "density of traffic"?

Q. Well, I think the question is pretty plain.

A. Are you talking about telephone traffic or street traffic?

Q. I am talking about the vehicular traffic in Cleveland in 1914 as compared with that in the 8 largest cities in the Ohio Bell Telephone Company's territory as of 6/30/25.

A. The vehicular traffic in Cleveland in the downtown district, to my observation, is probably more dense than in other cities.

Q. Probably more dense than other cities now, but that was not my question. I asked you how the density of traffic in Cleveland in 1914 compared with the traffic in the 8 largest cities in the Ohio Bell territory as of 6/30/25.

A. The street traffic in Cleveland in 1914 was not as great as it is, or should not have been as great as the traffic would have been as of 6/30/25.

Q. In the 8 largest cities in the Ohio Bell territory?

A. And in the 8 largest cities of the Ohio Bell telephone [fol. 4359] Company I think that the traffic in Cleveland in 1914 was greater than the other cities.

Q. Well, you have not yet answered my question.

A. Well, I beg your pardon; I may misunderstand your question; I was trying to answer it.

Mr. Burr: Read the last answer.

(Answer read.)

Q. In other words, you say that the traffic in Cleveland in 1914 was denser than in the 8 largest other cities in the Ohio Bell territory as of 6/30/'25, would you?

A. I am saying that as a mere opinion, without making any test of the traffic.

Q. Don't you know that there were almost as many automobiles registered in the city of Springfield in 1925 as there were in Cleveland in 1914?

A. I don't know that, no, sir.

Q. Do you believe it?

A. It may be possible.

Q. Well, if that is true, what would you have to say as to the comparative density of traffic in Cleveland in 1914 and in Springfield in 1925?

Mr. Turner: I object. It does not take into consideration the other traffic in those days.

Chairman Klinger: I suppose the witness can take care of himself.

Mr. Turner: Well, the state has some rights as well as the witness.

Chairman Klinger: You may answer.

The Witness: There could be no comparable comparison [fol. 4360] between the traffic in Cleveland in 1914 and the traffic in Springfield as of some later date, because they had more automobiles in Springfield at some later date than they may have had in Cleveland in 1914.

Q. That is your opinion is it?

Mr. Turner: That is what you asked him for, isn't it?

Mr. Burr: Oh, no, I asked him whether or not if there were almost as many automobiles registered in Springfield in 1925 as in Cleveland in 1914, the traffic conditions in Springfield would not be as dense in 1925 in his judgment, as they were in Cleveland in 1914.

The Witness: Why, no, of course not.

Q. I see. How many automobiles were registered in Cleveland in 1914?

A. I don't know and I don't have to know to answer the question.

Q. Or in any other city in the state, do you know?

A. No, sir. You are dealing in two dissimilar items, traffic in Cleveland in 1914 and traffic in Springfield at some later date. Automobile traffic cannot be compared directly with horse-drawn vehicular traffic. Density of traffic is dependent on more than one element.

Q. Well, it gives you some idea of the density of traffic between the two times, doesn't it, and the two places?

A. It does not to me, no, sir.

Q. Then, as I understand it, you don't know and cannot tell this Commission what difference, if any, there was between the density of traffic in Cleveland in 1914 and the [fol. 4361] density of traffic in the other 8 largest cities in the Ohio Bell territory in 1925?

A. No, and I am adding that nobody else can give an intelligent answer on that question.

Q. Thank you. Well, was not the density of traffic in all of the largest cities in the Ohio Bell territory, including

Cleveland in 1925, much greater than it was in 1914 in those same cities?

A. Please read the question.

(Question read.)

A. What do you mean by traffic, Mr. Burr?

Q. Oh, all kinds of vehicular traffic.

A. What is vehicular traffic; are you referring to the number of vehicles on a street or the miles traveled?

Q. Yes, the number of vehicles on a street; I am talking about the density and not the mileage.

A. The density of the number of vehicles at a given point in a street at any one time; is that what you refer to?

Q. Yes, all over the city at any time.

A. If you want an answer to that question you will have to tell me what particular streets you may be referring to.

Q. Oh, Mr. Allensworth, can't you tell this Commission whether in your judgment the vehicular traffic in the streets of the 8 largest cities in the Bell territory in 1925 was greater or less than it was in those cities in 1914?

A. Yes, I can if you tell me what you mean by "traffic".

Q. Won't you tell us?

A. Do you mean the number of vehicles on the street?

Q. Yes, if you want it that way.

A. Yes, there was more in 1925 than there was in 1914.

[fol. 4362] Q. More pedestrians too, weren't there?

A. I don't know as to that; there were in some locations.

Q. All right. In the matter of pole hole digging costs, were not your Cuyahoga costs constructed on the theory that most of the soil in Cleveland surrounding territory was sand?

A. I believe so.

Q. Well, considering the various types of soil in the company's property as a whole, would not the average digging conditions be more difficult than those in Cleveland?

A. The average condition would be slightly more difficult than sand.

Q. Would not rock digging be slightly more difficult than sand?

A. Yes, sir.

Q. And would not shale digging be slightly more difficult than sand?

A. Yes, sir.

Q. And digging in gumbo and hard pan, wouldn't they be more difficult also?

A. Yes, sir.

Q. All right; of the total amount of open wire in the Cuyahoga valuation as of 1914, how much or what proportion of it was in the congested, down-town district?

A. I, of course, could not remember a detail like that, Mr. Burr.

Q. Well, isn't it a fact that more than 75 per cent of the entire open wire in the Cuyahoga valuation was in the outlying central office exchanges and not in the congested down-town district?

A. I would not know.

Q. Do you know what proportion of the entire exchange aerial wire in the Company-wide inventory in this case was in the 8 largest exchanges?

A. The what?

[fol. 4363] (Question read.)

Q. (Continuing.) As of 6/30/'25?

A. I should think a very substantial portion of it.

Q. Can you give a percentage estimate of that?

A. Not off hand, no, sir.

Q. Now, was not between 50 and 60 per cent of the entire conduit system of the company as of 6/30/'25 located in Cleveland?

A. I don't remember the figures, Mr. Burr; I would not be surprised if that were true.

Q. What percentage of the entire conduit system of the company, if you know, is, or was as of 6/30/'25, located in the 8 largest cities served by the company?

A. I cannot answer that question offhand.

Q. Well, do you believe that as much as 90 per cent was so located?

A. In the 8 largest cities?

Q. Yes, the 8 largest cities in the territory?

A. It may be possible.

Q. As reflecting on increased wage scales between 1914 and 1925, were not the company's wage scales for conduit construction as of 1925, and used by you in this case, 100 per cent higher than those used by you in your Cuyahoga valuation in 1914?

A. I don't know.

Q. Haven't you any of those wage scales with you?

A. No, sir.

Q. You have them in your files, haven't you?

A. Only to the extent that they appear in the final report in the 1914 appraisal.

Q. Well, you won't deny that they were 100 per cent higher [fol. 4364] in 1925 than they were in 1914, will you?

A. I don't remember what the wages were in 1914.

Q. All right; can you give this Commission any idea of the increase in the wages for wire stringing gangs as between those of the Ohio Bell Telephone Company effective June 30th, 1925 and those used in the Cuyahoga appraisal?

A. Wage rates?

Q. Yes.

A. No, sir.

Q. Would you doubt that there has been an increase between 1914 and 1925 of 84 per cent.?

A. It may be possible, I don't know whether it may be so or not.

Q. Did you make a gang set-up for performing the wire stringing work in the Cuyahoga case?

A. I suspect I may have, I don't remember.

Q. Did you in the Tri-State case?

A. No, sir.

Q. Didn't you in your preliminary costs in that case, make such a gang set-up?

A. Yes, sir.

Q. So that in connection with both of those values you did make a gang set-up for the costs of the wire stringing, didn't you?

A. No, sir.

Q. You did that in the Cleveland case, didn't you?

A. I suspect I may have.

Q. Oh, why don't you tell us whether you did or not, Mr. Allensworth, instead of saying "I suspect"?

Mr. Turner: Why don't you show him the papers? It has been 20 years ago.

Mr. Burr: He must know.

Mr. Turner: Well, you have the papers there; show them [fol. 4365] to him, and not criticise him for not recollecting items 20 years ago.

Mr. Burr: We have a right to ask him for his recollection.

Mr. Turner: But you haven't a right to criticise him.

Chairman Klinger: He has answered your question.

Mr. Burr: It will save a great deal of time to do it the other way.

Mr. Turner: I don't like to interfere with the cross examination.

Q. In arriving at your aerial wire costs in the Tri-State case, you took a typical gang set-up did you not, as a basis for your costs in your preliminary or tentative unit costs in that case?

A. In the preliminary costs, yes.

Q. And in the Cuyahoga case you also used a typical gang set-up for your cost for stringing aerial wire in that case, didn't you?

A. I don't remember; I may have.

Q. Did you do that in this present case?

A. Yes and no; I set up the cost and have analyzed it and tested it back against performance, if my memory serves me right on that detail.

Q. Did you first make a gang set up or did you first arrive at your total cost?

A. In the instant case do you mean, Mr. Burr?

Q. Yes.

A. That I cannot answer you; I don't remember. There was so much detail going through my mind at the same time that some of those details I may be a little hazy on, but [fol. 4366] whether I did or whether I did not at the time, I now have in form a gang set-up with a performance that produces the unit I used in this case.

Q. What is the gang performance you set up for aerial wire, if you please?

A. The stringing of wire on 1¼ miles of pole per day.

Q. How many wires?

A. Four wires.

Q. What does that equal in the number of miles or portions of miles of wire strung per man per day?

A. I have no such figure as that.

Q. Doesn't it equal 5 miles of wire?

A. It equals 5 miles of single wire per gang per day, not per man per day.

Q. How many active men in a gang stringing wire?

A. A foreman, 4 linemen, 3 ground men, truck and driver.

Q. Give us that slower.

A. 1 foreman, 4 linemen, 3 ground men, one truck and

driver; in addition thereto, one-half of the time of a clerk.

Q. That would make 7 active men engaged in the stringing of the wire, wouldn't it?

A. 9.

Q. Seven; four linemen and 3 ground men; isn't that true?

A. Yes; add thereto 1 foreman and truck driver.

Q. Are they engaged or would they be, under your gang set-up, in stringing wire actively?

A. Well, they would be actively engaged in the gang, or they would not be in this set up.

Q. But would they be actually engaged in the actual mechanical work of stringing the wire?

A. What do you mean; do you mean climbing a pole and pulling on the wire?

[fol. 4367] Q. Yes, or helping them string it in any way; for example, how much of the actual stringing of the wire would the clerk be doing?

A. He would not be doing any of it.

Q. No; how much would the foreman be doing?

A. The actual pulling on the wire, he should not do any of it.

Q. Well, what about the truck driver?

A. The wire may be pulled by the truck and the driver would be driving the truck.

Q. But he would not be pulling the wire; he would be driving the truck, wouldn't he?

A. (No reply).

Q. He would not be engaged in the manual act of pulling the wire or stringing the wire with his hands, would he?

A. He should not be.

Q. In the Tri-State case you did not consider the foreman was doing any part of the pulling or stringing of wire, did you?

A. The foreman's time was conceived and treated in identically the same manner as this set-up.

Q. But was not the time for the foreman loaded on to the other active men's wages in that case?

A. Of course, it was.

Q. Now, if you consider the truck driver as an active man, it makes 8 active men in the gang, doesn't it?

A. Yes, sir.

Q. What kind of wire would be strung by such a gang?

A. Line wire.

Q. Give us the size and kind of wire that you contemplated in your typical gang set-up?

[fol. 4368] A. The size and kind the company's inventory.

Q. Now, you said that these men could string one and one-fourth miles of wire per day; that is 1¼ miles of wire could be strung per gang per day; now, just what kind of wire is that?

A. That applies specifically to No. 12 and 14 iron wire.

Q. No. 12 and 14 iron wire; now, the 1¼ miles of wire per gang per day is the same amount of wire as you used in your Tri-State valuation, isn't it?

A. I don't remember whether it is or not; it may be.

Q. Why did you use 3 linemen and 3 ground men in your Tri-State case and 4 linemen and 3 ground men in the Ohio Bell case; do you remember?

A. No, excepting that the 3 linemen and 3 ground men may have been a typical crew in Minnesota.

Q. What is a typical crew or was a typical crew in Ohio as of 6/30/'25?

A. As I would organize the construction, what I have read to you as the organization of this gang.

Q. You took your own organization in the present case, but you took a typical one in your computations in the Tri-State case, didn't you?

A. No, sir.

Q. What did you do then?

A. In the case of the Tri-State case, the construction gangs there varied over wide limits, as to the number of men employed in any particular kind of work.

Q. And wasn't that true in the Ohio Bell Telephone territory as of 6/30/'25?

A. It may be.

[fol. 4369] Q. What were the facts in that respect?

A. As far as I know the size of the crews of the Bell Company varies.

Q. Well, why did you follow the practice of the company in respect of gang set-ups in the Tri-State case and not in the present case?

A. I don't know that I followed a practice of the company in the gang set-up in the Tri-State case because I did not use any gang set-up in my unit costs in the Tri-State case.

Q. Well then, why did you use one more lineman per gang in Ohio than you did in the Tri-State case?

A. My organization here that I have shown is the organization that I would employ in Ohio in the reproduction of this property as of June 30th, 1925. I might use an entirely different gang in Minnesota as of 1918.

Chairman Klinger: Is that a factor of enough importance to dwell very largely upon?

Mr. Burr: We think it will be before we get through with it. It is rather difficult to pick all this out.

Q. Now then, what will you say as to the increase in the cost of stringing open wire in Ohio Bell territory as of 6/30/'25 as against the cost of stringing the same kind of wire in Cleveland in 1914?

A. I don't know as there would be any direct comparison.

Q. Well, would not the cost in 1925 as I have described it, be greater than the cost in 1914?

A. Not necessarily so.

Q. Wasn't there a wage increase as between 1914 and 1925 in Ohio of about 84 per cent.?

[fol. 4370] A. I don't know the exact percentage, but I suspect that is approximately correct.

Q. That would be approximately correct; now then, from the details of your 1925 unit costs used in this case and furnished the company, tell the Commission what was your labor unit cost per mile for handling and erecting No. 12 B. W. G. exchange bare iron wire?

A. $24.00.

Q. Wasn't it $10.00?

A. Well, pardon me you asked for labor cost?

Q. Labor cost.

A. The labor cost was $11.00.

Q. Are you sure it was not $10.00?

A. Read that question again, please, Mr. Okey, as to the size of the wire.

(Original question read.)

A. $11.00.

Q. Let me ask you again, from the details of your 1925 unit costs used in this case and furnished this company, tell the Commission whether your labor unit cost per mile for

handling and erecting No. 12 B. W. G. exchange bare iron wire was not $10.00?

Chairman Klinger: He answered that it was $11.00.

Mr. Burr: Well, I have before me here his detailed unit costs showing $10.00 and I wanted to give him an opportunity to correct himself.

Mr. Turner: What is your page, Karl?

Mr. Burr: Page 10, the last column.

Chairman Klinger: Can't you call his attention to the page?

Mr. Burr: I have, Your Honor.

[fol. 4371] Q. It is Page 10, Mr. Allensworth, of your book of unit costs last column.

A. There appears to be a discrepancy between my notes and the schedule of units supplied the company, on the detailed that I supplied to the company the labor cost for that particular item, namely, bare iron wire No. 12 is $10.00, whereas, my notes, which I had misread up to the present instance—the present moment—shows the same amount, that is $10.00. That is correct; I misread certain items here on this page.

Q. Now from Page A-41 of the Volume of detailed units prepared by you in your Cuyahoga valuation as of the year of 1914, tell the Commission what your labor unit cost per mile for handling and erecting the same wire, that is to say No. 12 B. W. G. Exchange bare iron wire?

A. If the page just handed me is a correct statement of the amount, I used, the amount here appearing is $10.00.

Q. Well, do you deny that is a correct statement?

A. I do not know, I have not checked it.

Q. Will you check it?

A. I don't know where that came from.

Q. Will you check it and if not correct so advise the Commission?

A. I will be pleased to check it when I have the opportunity.

Q. And if you do not advise us to the contrary, may it be considered as correct?

A. Yes, sir.

Q. For that class of wire then, you used exactly the same figure in the 1925 costs in this case as you did in your 1914 costs, in the Cuyahoga Case, notwithstanding an increase

[fol. 4372] of 84% in wage scale between the two valuations, didn't you?

A. Yes, sir.

Q. And how many miles of that kind of wire was there in the exchange property of the Ohio Bell Telephone Company as of 6/30/25?

A. I don't know.

Q. Will you accept my word for it that there were 44,290 miles of that kind of wire?

A. That is possible.

Q. Will you do me the favor to accept that?

A. No, sir.

Mr. Turner: The inventory shows it.

Mr. Burr: Yes, the inventory shows it.

Q. Now then from the details of your 1925 unit costs in this case and furnished the Company, tell the Commission what was your labor unit cost per mile for handling and erecting No. 14 B & S exchange copper wire?

A. $10.00.

Q. Now will you look at Page A-40 of the Volume of the detailed unit costs prepared and used by you in your Cuyahoga valuation as of the year 1914, and tell the Commission what was your labor unit cost per mile for handling and erecting the same kind of wire, that is, to say No. 14 B & S exchange bare copper wire?

A. On the assumption that the page handed me is the correct unit that I used in the Cleveland appraisal, the amount there shown is $12.00.

Q. Will you check your appraisal in the Cuyahoga case and advise us or the Commission if that $12.00 is not correct?

A. I shall attempt to do so, yes, sir.

[fol. 4373] Q. And if you do not so advise us, may be understand that it is correct?

A. Yes.

Q. Then as I understand you your unit cost per mile in this present case for handling and erecting No. 14 B & S. exchange bare copper wire was and is $2.00 less than the cost per mile for handling and erecting the same kind of wire in your 1914 Cuyahoga valuation, notwithstanding an increase of 84% in the 1925 wage scales for that kind of work over similar wage scales for 1914; that is just as true as it was in the previous answer, isn't it?

A. Yes, sir.

Q. Now from the details of your 1925 unit costs supplied in the present case and furnished the company, tell the Commission how much is included in your 17 B & S twisted pair copper steel drop cost for labor of handling and erecting in this case; I think you will find it on Page 18 of your unit costs.

Mr. Turner: You haven't got it that way, have you?

The Witness: What was the question, Mr. Okey?

(Question read.)

A. $1,4625.

Q. That is the labor cost only, isn't —?

A. Yes, sir.

Q. Now from Page A-42 of the volume of the detailed unit costs prepared and used by you in your Cuyahoga valuation as of 1914, tell the Commission what was your [fol. 4374] labor unit cost for handling and erecting all kinds of drops?

A. With the same qualifications as before, $2.08.

Q. And if that figure is not correct, will you so advise the Commission?

A. When I have the opportunity to do so, yes, sir.

Q. And if you do not do it, we may assume that the figure is correct, may we?

A. Yes, sir.

Q. Thank you. Now that $2.08 was for the labor cost only, was it not?

A. Yes, sir.

Q. Then your 1925 cost in this case for handling and erecting drops was and is 61.95 cents per drop less than your cost for the same item in your 1914 Cuyahoga valuation, notwithstanding an increase of 84.8 per cent. or 84 per cent in round figures, in the 1925 wage scales over those of 1914 for that kind of work; isn't that true?

A. I, of course, am not proving the percentage; I have not made that computation, but it seems as though it may be about that.

Q. How many such drops were there in the exchange property of the Ohio Bell Telephone Company as of 6/30/'25?

A. The inventory quan-ity, I haven't it at hand. I will supply it for you. You probably won't accept it, but I will supply it for the record, so it will save some one referring

to the inventory if they are willing to take my word for it. The number of such drops was 389731.

Chairman Klinger: That is already in the record, isn't [fol. 4375] it?

Mr. Burr: Yes.

Mr. Turner: It should be.

Mr. Burr: Yes, it is in the record.

Mr. Turner: If it is not already in the record it has no place here as being introduced by counsel, but we are assuming that it is in the record and he is simply making a statement of what the record already shows.

Chairman Klinger: Mr. Burr advises us that it is in the record.

Mr. Calland: It is in the inventory.

Mr. Turner: It should be in the inventory.

Chairman Klinger: That is Exhibit what?

Mr. Calland: Exhibit No. 3, Page 15, carries that figure.

Mr. Burr: It is in the case in half a dozen different places.

Mr. Turner: It should be in your case in chief.

Q. How many hours constituted the working day for telephone construction labor in the Tri-State Company in 1918; nine hours, wasn't it?

A. Eight and nine.

Q. Wasn't it nine hours per day all the way through for construction labor?

A. No, sir.

Q. What exceptions were there to that scale?

A. I do not remember what the day's work in hours was for the various kind of crews, but it is a fact that some crews worked eight hours and some worked nine, and before—or while the appraisal was in progress, I think they [fol. 4376] were all put on an eight hour's basis.

Q. But in all the construction estimates which you analyzed in that case, was not the working hours for construction crews nine hours?

A. I don't believe so, Mr. Burr; I think there was eight hour construction in those estimates.

Q. What was the number of hours per working day used by you in the preparation of your labor unit costs in this case?

A. Eight.

Q. How many hours constituted——

A. If you are referring to wire, it was eight hours.

Q. What about cables and poles and the other items of telephone construction for outside plant?

A. Eight hours with the exception of conduit excavation and conduit work; that was on a nine hour basis.

Q. How many hours constituted the working day for telephone construction labor in the Cuyahoga Company in 1914?

A. I don't remember; I don't know.

Q. Wasn't it eight hours?

A. I don't know.

Q. You have already said that eight hours constituted the working day for telephone construction labor in the Ohio Bell Telephone Company as of 1925 except in the conduit construction; was that the number of hours per working day which you used in the preparation of your labor unit costs in this case?

A. To the extent that I used such figures, yes.

Q. Well, you used the Ohio Bell Telephone Company wage scales in arriving at your labor costs in this case, [fol. 4377] didn't you?

A. Yes.

Q. Didn't you use its hours of labor?

A. Yes.

Q. Per day?

A. Yes, sir.

Q. All right. At Page 2808 of the record you say that your labor costs are "in accordance, * * *, labor performance based upon experience and under conditions of this property"; do you mean by that statement that both the experience and the conditions upon which you base your labor costs in this case were actually encountered in the construction of this property?

A. No, sir.

Q. What do you mean by that sentence?

A. My experience and the conditions under which I would reconstruct the property.

Q. Oh yes; now you say "your experience"; to what experience do you refer?

A. Experience that I have recited heretofore, I think, several times in the record.

Q. Well what is it any more than your experience in the Tri-State and Cuyahoga valuations?

A. It is my total experience up to date.

Q. Well in other words, can't you make it a little more

definite than your thirty years experience in public utility valuation business; can't you tell us what your experiences were to which you referred in that answer?

A. My experience was first of all my own experience in telephone construction, and secondly and more important, I believe, my experience in studying costs and construction operations of telephone properties.

[fol. 4378] Q. To what costs do you refer in that last answer?

A. How is that?

Q. To what costs do you refer in your last answer; whose costs; the costs of what telephone company?

A. All of the telephone companies, that I have made examinations on, and costs to be interpreted more in terms of labor performance than dollars cost.

Q. Did you make a personal examination of telephone costs actually incurred by any telephone companies other than the Ohio State, in respect to its Cuyahoga property, and the Tri-State Telephone Company?

A. Yes, sir.

Q. What were the names of the companies?

A. I had available to me all of the costs, of the Ohio State Telephone Company, and I have made a study of the costs of the Ohio Bell Telephone Company as reported to me by the Ohio Bell Telephone Company's engineers.

Q. Very well; you say that they were available to you, the costs of the Ohio State Telephone Company; that was between the years 1914 and 1917, wasn't it?

A. Yes, sir.

Q. And you say that those costs were available to you; do you want this Commission to understand that you were familiar with all of the telephone costs of that company during those years?

A. I was familiar with practically all of the construction costs to which I had access.

Q. And that was from 10 or 11 to 14 years ago, wasn't it?

A. Yes, sir.

Q. And of what telephone costs did you have any ac-

[fol. 4379] tually knowledge by actual experience in Ohio, between 1917 and 1928?

A. None.

Q. What was the date of the installation of that police

fire alarm and telegraph or telephone switchboard to which you referred in your testimony yesterday?

A. I don't know, Mr. Burr; I installed a number of them.

Q. Well during what years?

A. I couldn't tell you that.

Q. Were they prior to 1914?

A. Yes, sir.

Q. I thought so; and the first one was sometime prior to 1914, wasn't it?

A. Oh, yes; I should say in 1903 or 1904.

Q. And telephone switchboards have changed somewhat since that date, haven't they?

A. Not in any of their essential features, they have not; not the type of switchboards that I was installing.

Q. Do you mean to say that a police fire alarm telegraph switch board for Columbus in the year 1903 compares favorably with one of the multiple switchboards of the Ohio Bell Telephone Company as of 6/30/'25?

A. No, sir.

Q. Referring to the amount of $4.474 referred to yesterday as the labor cost in place of a 30 foot Class C cedar pole, and for which you have given us the following details: Yard Work, 64½ cents; Hauling, 53.8 cents; Digging, $1.484; Setting, $1.108.

[fol. 4380] Making a total of $3.775. Will you please tell the Commission what is represented by the 69.9 cents, as I make it, balance between the $3.775 and the $4.474?

A. Now Mr. Okey, will you please read those amounts back to me?

(Question read.)

A. The amount that you read as the labor cost of setting is an error. That should read $1.807. The sum then will equal $4.474.

Q. How much of each of those items represents the stable and garage expense?

A. I have not that information before me.

Q. Well, there is some stable and garage expense in each of those component figures, isn't there?

A. No, sir.

Q. Which ones do contain stable and garage expenses?

A. Without looking back on my detail, there is no stable and garage expense in yard work, and in the distributing,

locating and digging and setting there is stable and garage expense.

Q. How much in each one of those three items?

A. I cannot tell you; I haven't that information.

Q. Can you tell us say tomorrow?

A. No, sir.

Q. Or at any time?

A. Yes, sir.

Q. Now in your exhibits you show stable and garage expense; how do you arrive at that expense if you cannot give it to us now?

A. The amount that I showed in the exhibit for stable and garage expense does not include the truck or the truck driver associated with these individual crews.

Q. Does the stable and garage expense included in the [fol. 4381] $4.474 represent only the stable and garage expense associated with that crew?

A. Yes, sir.

Q. Where is the rest of your stable and garage expense to be found in your unit costs?

A. It does not appear in my unit cost schedules.

Q. Where else is it then?

A. It is in my notes.

Q. Don't your total unit costs applied to your total inventory quantities give your reproduction cost new in this case?

A. Yes.

Q. Where then in your valuation, have you made any allowance for the stable and garage expense now associated with your crews?

A. It is worked into the unit prices.

Q. Where in the unit prices?

A. At various places in different items.

Q. Well, will you please give us one?

A. I have many thousands of unit prices before me that I used in this Ohio Bell case.

Q. Well, take a 30-foot class C cedar pole and tell us where, except in that $4.474, there is any allowance in your valuation for stable and garage expense.

A. Stable and garage expense is included in that $4.474.

Q. But you said only the part of that stable and garage expense associated with that gang is included in that

$4.474. Where is the rest of your stable and garage expense shown in your valuation?

A. Well, we are perhaps working at cross purposes. I have not heretofore understood your inquiry. The cost of distributing the stable and garage expense, of course, together with the labor——

[fol. 4382] Q. Do you mean distributing and hauling? You gave the hauling yesterday.

A. Distributing, including hauling, that is stable and garage expense to a large extent, other than the truck associated with the crew.

Q. How much of the $0.538 for distributing and hauling is represented by the stable and garage expense and how much by the pure labor expense?

A. I have not that detail before me.

Q. Can you give it to us tomorrow?

A. No, sir.

Q. Can you give it to us ever?

A. Yes.

Q. When?

A. As soon as I may have the opportunity of working it out for you.

Q. Well, but if you haven't got it now, how did you include it in that $0.538 at the time you made your appraisal?

A. It was worked in in the total amounts.

Q. I know it was worked in in the total amounts, but what was it that was worked into the total amount?

A. The cost of the trucks and stable and garage expense. Now you are asking me what part of the sum total amount have I allocated to a very, very small item. I am telling you that I have not that detail before me but I can work it up for you.

Q. And you did not have it when you made your appraisal, did you?

A. Yes, sir.

Q. Why can't you give it to us, then? Why work it up for us?

A. Because you are asking for it in a form in which I did not have it.

Q. Well, in what form did you have it?

A. I had it in the total amounts, in the case of poles.

[fol. 4383] Q. Well, but did you load something on to

what was otherwise your total amount for poles as representing your stable and garage expense?

A. Pardon me just a minute; in figuring the cost of distributing poles, which is hauling and distributing poles, I determined first in this particular detail what performance should be required per truck per day or per gang per day in the work of distributing poles of various sizes——

Q. Before you get any further, how did you determine that performance?

A. From my knowledge and my experience.

Q. Did you have that at the time when the Company's engineers, Messrs. Schneider and Williams asked you for the details of your unit costs?

A. I don't think so.

Q. And you did not have it at the time you testified in chief either, did you?

A. Not in this form, no, sir.

Q. Go ahead, excuse me.

A. And the cost based on the weight, distributing the various sized poles, produces the total amount, the cost of distributing each particular pole, and the amount for a 30-foot C pole is $0.538, and in my unit cost detail as submitted to the Company I have shown the amount $0.538.

Q. Will you give us the page of the details where that $0.538 is shown?

A. I have it before me.

Q. Will you tell us what page?

A. Page 1 of the pole detail.

Q. Can you show it to us in the volume of costs which you furnished the Company's engineers?

A. There was no such detail furnished you.

[fol. 4384] Mr. Turner: Mr. Burr, will you permit a question so that I can get at it? I don't want to interrupt the witness. Are you trying to get at a stable and garage cost in addition to the $1,317,710.18 on page 1 of Exhibit No. 4, or are you trying to get at the way that total was arrived at?

Chairman Klinger: He claims he wants to find out how he arrived at that total.

Mr. Turner: Well, that is what I want to know, or whether or not they are talking about some other costs here that have a part of the stable and garage in addition.

Mr. Burr: Suppose I let Mr. Williams tell you what he wants.

Mr. Williams: I understand that the stable and garage expense, this million and something, includes part of the stable and garage expense but not all of it. Now we want the balance of it for one thing; that is the truck that goes with the gang.

Mr. Turner: I understand.

Mr. Williams: Specifically we would like to have this $4.474 split up into the different items of labor and the different items of stable and garage, showing separately the small truck that goes with the gang and the larger truck that is used for transporting the materials.

Mr. Turner: In other words, Mr. Williams, you are talking about a different stable and garage expense from this $1,223,000.

Mr. Williams: No, sir, if you please, that one million three hundred thousand dollars is only part of the story. Now, [fol. 4385] as we understand from Mr. Allensworth, there is stable and garage expense in these unit costs.

Mr. Turner: In addition to this?

Mr. Williams: Well, I don't know about that.

Mr. Turner: Well, that is what I want to find out, whether it is in addition, or a part of it.

Mr. Williams: We understood that this million and something in his collation, as he terms it, includes part of his stable and garage; in addition to that he told us there was some stable and garage included in his unit costs for the truck accompanying the gang.

Mr. Turner: I understand you now.

Mr. Williams: Now wherever any of it is set up we would like to have taken a specific unit cost such as a 30-foot cedar pole, set up the labor costs and set up the two different kinds of stable and garage expense so that we can get a typical example and a typical set-up.

By Mr. Burr:

Q. Can you give us that?

A. I can't give it to you off-hand; I can get it for you.

Q. Will you do that?

A. When I may. Now Mr. Burr, may I make a suggestion off the record?

Q. Yes.

(Here witness makes statement off the record.)

Q. Now at the bottom of page 2808 of the record in the case you say, "In the determination of my labor costs, a customary and efficient gang is determined and performance applied, which experience has shown could reasonably be accomplished under conditions encountered in this state [fol. 4386] after a liberal allowance for such interruptions and other contingencies as are encountered in telephone construction work." Now in the first place I understand that you have not done any telephone construction work in Ohio for 15 years, have you?

A. No, sir.

Q. Just after you made that statement Mr. Turner then said, "Right at that point you have unit price data available so that if it is wanted here it can be furnished", and you answered, "Yes, sir". Now let us have the personnel, if you please, of those, "customary and efficient" gangs for each class of plant.

A. Pardon me; you have been reading the record. I have not gotten your question yet.

Mr. Turner: When did you stop reading the record?

Mr. Burr: My question is this; now let us first have the personnel of those customary and efficient gangs for each class of plant.

The Witness: In the case of a pole line construction crew on exchange work, the unit prices that I have used in this reproduction cost statement provide for the employment of one foreman, one sub-foreman, one-half time of one clerk, four linemen, fifteen ground men, one truck and driver.

Q. Will you give us some more, please; just as many as you have; but before giving us any more will you give us the performance per man per day of that gang?

A. I have no such item, no such statement; I have no such figures.

Q. What was the use of setting up a gang if you did not have the gang performance corresponding with it?

A. I beg your pardon, you did not ask me anything about [fol. 4387] gang performance; you asked me about man performance, per man per day. I have gang performance, yes, sir.

Q. Well, give us that, will you please?

A. The gang performance varies with each particular item of plant.

Q. Let us have the items, will you, and the gang performance for each?

A. Yes, sir; considering the item "locating and digging pole holes", a performance is expressed in number of holes per man per day, on the assumption of an eight-hour day as follows:

16-foot poles, eight; 18-foot poles——

Q. That means eight per day?

A. Eight.

Chairman Klinger: You mean eight holes per day?

The Witness: Yes, sir.

20-foot poles, eight; 22-foot poles, eight; 25-foot poles, four and a half; 30-foot poles, three and a half; 35-foot poles, three; 40-foot poles, two and a half; 45-foot poles, two and a quarter; 50-foot poles, two; 55-foot poles, one and three-quarters; 60-foot poles, one and a half; 65-foot poles, one and a quarter; 70-foot poles, one; 75-foot poles, nine-tenths; 80-foot poles, one-half; 107 foot poles, one-fourth.

[fol. 4388] Q. Did you have those figures when you testified in chief?

A. Not in this form I did not.

Q. What did you mean then when you said that your details, or, as Mr. Turner expressed it, "Your unit price data", was available at the time of your testimony in chief?

A. I don't remember that Mr. Turner made that statement as interpreted in the way you now interpret it.

Q. It is not a question of interpretation, I am reading plain, common, every-day English.

A. Mr. Turner was not, perhaps, familiar with the amount of data I had, and I think some place later he said that what was not then ready would later be prepared.

Q. He had reference then to the mere typing of the data, didn't he?

A. I don't know what he may have been referring to.

Q. Well, it is not worth quarrelling over; will you go ahead with your further gang set-ups; or first with the further gang operations of this set-up that we are now considering? You haven't finished.

A. The next operation is setting poles, and this is performance per gang per day: 16-foot poles, 60; 18-foot poles, 60; 20-foot poles, 50; 22-foot poles, 50; 25-foot poles, 35; 30-foot poles, 25; 35-foot poles, 30; 40-foot poles, 15; 45-foot

[fol. 4389] poles, 12; 50-foot poles, 10; 55-foot poles, 8; 60-foot poles, 6; 65-foot poles, 5; 70-foot poles, 4; 75-foot poles, 3; 80-foot poles, 2½; 107 foot poles, 2.

Q. Did you have any of that information available when you testified in chief?

A. Not in this form I did not. I had it in my notes, my work sheets, scattered through the records, some of it compiled and some not.

Q. Why didn't you give some of it to Mr. Williams and Mr. Schneider instead of saying there wasn't any?

A. I didn't have it in this form at that time.

Q. Well, you were asked for it a month after their first request and you still said you hadn't it; you were asked for it on the third of May.

A. I don't remember the dates and I don't remember the time of these compilations.

Q. It doesn't make any difference——

A. But the fact is if I said at the time that I did not have it, I did not have it.

Q. All right.

A. That is, in presentable form.

Q. Will you give us another operation of the same gang, if there are any more?

A. Well, that is the operation of the pole-setting gang, digging holes and setting poles.

Q. What about hauling the poles from the pole yard to [fol. 4390] the place of erection?

A. The hauling of the poles from the point of delivery on the railroad siding or pole yard to the point of erection is not a gang performance. That is the cost of hauling based upon the number of poles that would be distributed per day, and the total cost of distributing those poles then divided by the number which would give the cost of distributing each pole.

Q. Who determined the number of poles to be distributed per day?

A. I did.

Q. Upon what experience was that based?

A. The experience that I have recited in the record.

Q. Well, what was the distributing which you took into consideration or allowed for in the various sizes of poles?

A. I made these computations on the basis of distributing one hundred and sixty 15-foot poles per day.

140 18-foot poles, 120 20-foot poles, 120 22-foot poles, 80 25-foot poles, 60 30-foot poles, 52 35-foot poles, 36 40-foot poles, 32 45-foot poles, 28 50-foot poles, 24 55-foot poles, 20 60-foot poles, 20 65-foot poles, 16 70 foot poles, 12 75-foot [fol. 4391] poles, 8 80-foot poles, 8 107-foot poles.

Q. How many poles did you allow per load in the distribution of poles?

A. I have not that detail before me, but that is based on the number of trucks that would be required to distribute that number of poles per day.

Q. Well, we want to know your authority for the number of poles which could and would under your plan be hauled per load; what was the number and what is your authority for the number which you used?

A. I haven't that information before me; I will have to get that out of my work sheets.

Q. Will you get it, please?

A. I will when I may have the time.

Q. Now we also want to know the truck cost, either per load or per day.

A. The truck cost per day is $25.00 per day; I haven't that detail before me, but I remember that.

Q. How did you arrive at that cost instead of some other one?

A. Contracting cost in Ohio points for trucks as of that type.

Q. Did that include the driver's wage?

A. Yes.

Q. How much for the driver's wage, do you know?

A. I do not know what contractors were paying as of that time but that was the contract price per truck.

Q. What contractors were trucking poles at a cost of $25.00 per day including the wage of the driver as of 6/30/'25 in the State of Ohio?

[fol. 4392] A. I couldn't say that there was any. I said that was the cost of trucks per day, as far as my knowledge extends, that was the cost of trucks. The cost of a truck, whether you were going to haul poles or whether you were going to haul pig iron would be the same.

Q. Very well; on what knowledge is that $25.00 cost based?

A. My general knowledge of trucking costs.

Q. Can you give us any case of a contractor as of

6/30/'25 renting a truck with the driver for work such as the hauling of telephone poles at the rate of $25.00 per day?

A. Yes, sir. In the City of Columbus in the year 1925 contractors were furnishing trucks for less than $25.00 per day with the driver for heavy hauling.

Q. Will you give us the names of the contractors?

A. I do not have the names of the contractors, but the party contracting for the hauling was the City of Columbus.

Q. Can you get the names for us?

A. I don't know whether the City still has the names in their records or not.

Q. What was the average length of the haul per day for exchange poles contemplated in your set-up?

A. I have not that detail before me, and I don't remember that it was based on any average length of haul in specific feet.

Q. How were you able to determine how many poles could be hauled per day if you did not know the distance they were to be hauled?

A. The distance of hauling was merely one element in the delivery of poles.

Q. Well, it is one of them though, isn't it?

A. It is one of them.

Q. One of the most important in the whole set-up isn't [fol. 4393] it?

A. It is one which may very well be considered, and my total concept of the problem is and was that the truck would have to travel the required distance and would have to unload the poles and distribute them with the unloading.

Q. Yes, but what was the required distance, if you please?

A. As I before told you, I have not the feet or the mileage or an average of that kind before me.

Q. And you never did have, did you?

A. I will have to check back on my work sheets and find out whether I made my computation in that way or in some other manner.

Q. Well, if you don't give it to the Commission may we assume that you haven't got it?

A. No, sir; I would like to have the opportunity of making some inquiry in my own work sheets and reporting to you or to your engineers or to the Commission, if you please.

Q. Wouldn't there be a considerable difference in the cost of hauling 140 18-foot poles a distance of four miles on the one hand as against a distance of ten miles on the other?

A. The ——

Q. Oh, you can answer that by yes or no, can't you?

A. Read the question.

(Question read.)

A. Yes, sir.

Q. And you did not have any of those distances in computing your costs, did you?

A. I have told you, I think, and this makes the third time, that just what consideration I extended to the length of haul I will have to check back on my work sheets to determine.

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[fol. 4394] Q. Have you any further set-ups for gang performance for pole line construction in respect of which you can give us the details?

A. Yes, sir, I have the same detail for toll poles.

Q. Will you let us have it?

A. What size toll pole do you wish me to use as a typical example?

Q. We want all of them that are covered by the inventory, the gang set-up for each class of pole.

A. I beg your pardon, I thought you were referring to the detail prices.

Q. No; we want the gang set-up and the different performances.

A. The unit prices that I have used for toll poles provide for the expense of one foreman, one sub-foreman, the one-half time of one clerk, four linemen, fifteen ground men, one truck and driver.

The performance of that gang for locating and digging pole holes expressed in terms of number of holes per man per day is as follows:

15-foot poles, 8, 18-foot poles, 8.

Q. That is 8 holes per man per day?

A. Yes, sir.

20-foot poles, 8, 22-foot poles, 8, 25-foot poles, 4½, 30-foot [fol. 4395] poles, ½, 35-foot poles, 3, 40-foot poles, 2½, 45-foot poles, 2¼, 50-foot poles, 2, 55-foot poles, 1¾, 60-foot

poles, 1½, 65-foot poles, 1¼, 70-foot poles, 1, 75-foot poles, 9/10.

The performance of that gang in setting poles, expressed in terms of number of poles set per gang per day is as follows:

15-foot poles, 80, 18-foot poles, 80, 20-foot poles, 70, 22-foot poles, 70, 25-foot poles, 54, 30-foot poles, 45, 35-foot poles, 36, 40-foot poles, 25, 45-foot poles, 16, 50-foot poles, 12, 55-foot poles, 10, 60-foot poles, 8, 65-foot poles, 6, 70-foot [fol. 4396] poles, 5, 75-foot poles, 4, 115-foot poles, 2, 130-foot poles, 4.

Q. What about the hauling cost?

A. The hauling or the distributing is cost based upon the following number of poles distributed per day:

15-foot poles, 150, 18-foot poles, 120, 20-foot poles, 100, 22-foot poles, 80, 25-foot poles, 72, 30-foot poles, 60, 35-foot poles, 52, 40-foot poles, 36, 45-foot poles, 28, 50-foot poles, 24, 55-foot poles, 20, 60-foot poles, 16, 65-foot poles, 12, 70-foot poles, 12, 75-foot poles, 8, 115-foot poles, 8, 130-foot poles, 1.

Q. Well, are these hauling costs of yours based on a trucking cost of so much per day?

A. Yes, sir.

Q. How much?

A. $25.00 a day per truck.

Q. Does that include the driver's wage?

A. Yes, sir.

Q. What was the average haul?

Chairman Klinger: Do you mean the miles?

[fol. 4397] Mr. Burr: Yes, sir, the average haul of poles from the pole yard to the point of erection.

The Witness: I have not that information before me.

Q. What was the average number of each size of poles per load?

A. I have not that information before me.

Q. Have you either of those facts in your possession at all?

A. I think so.

Q. Will you furnish them?

A. I shall be glad to when I may.

Q. Will you please give us next the personnel of your wire gang for exchange wire?

A. The labor costs——

Q. Will you suspend just a moment? We are going to see if we can reach a short-cut method for what we would like to have. Mr. Allensworth, in order to shorten the inquiry as much as possible, will you furnish us with a statement showing the personnel of each gang for each class of plant together with the number of each labor operations or the performance per man or per gang per day for each size of each unit of plant? I think you already have that in typewritten form, haven't you?

A. I think that inquiry should be addressed to the Attorney General.

Mr. Calland: I might make a statement about that. I understand that Mr. Allensworth now has the copy which he has before him from which he is testifying, and to furnish the Company with this would require considerable work on somebody's part for which they naturally have to be paid. As suggested a moment ago, the Attorney General has no money with which to pay for that service unless [fol. 4398] Mr. Allensworth generously, as he has done for the past three months, donates the money to pay the typist to do it.

I recall sometime ago we asked for some information from the Telephone Company and they told us it was available and we could send over and get it.

I want them to have these figures if it will shorten this hearing and they are welcome to them if they will type them. We want to avoid building up a tremendous bill to call on the Legislature to pay for it.

Mr. Burr: We will be glad to.

Mr. Calland: They told us we could come and get it and I will say the same thing to them, if they will type it they may have the copy to type it from.

Chairman Klinger: They say they are willing to do it.

Mr. Burr: When may we start?

Mr. Turner: Just as soon as you quit examining him on the one he has there. It was a little different when you told us to come and take anything we wanted; we didn't have the money to come and get it.

Mr. Burr: As I recall it, the request you made—don't forget this—that we furnished before you came into this case even bushels of information, so large in fact, Mr. Turner, that the counsel for the State came back to us at least

twice for material involving as much as an inch and an inch and a half thick of papers that they had already been furnished by us and they didn't even know and could not remember that they had them.

Mr. Turner: I realize the inconvenience to you of the [fol. 4399] State changing its counsel from time to time but that is one of the things we have all got to bear with. We will have another change before the case is over; there will be a new Attorney General.

Mr. Burr: We will deplore that as much as we deplored the previous changes. And I only cite this matter of the copies so that the Commission may know that we have taken weeks and weeks of stenographic time to furnish copies to them, and when it came as a request I think we figured that it would take some three weeks of stenographic work to get it out and so we asked you to come and get it instead of making us make the copy.

Mr. Turner: We thought you were kidding us because you knew our appropriation was exhausted.

Chairman Klinger: Are you ready to proceed in the morning?

Mr. Burr: Absolutely.

Chairman Klinger: All right, we will adourn then until tomorrow morning at ten o'clock.

And thereupon the further hearing of this matter was adjourned until Friday, August 17, 1928, at 10 o'clock A. M.

[fol. 4400] Friday Morning Session

August 17, 1928.

And thereupon the further hearing of this matter was resumed pursuant to adjournment.

Present:

Same parties by their counsel as at previous session.

And also H. R. ALLENSWORTH, resuming the stand for further cross-examination, continued his testimony as follows:

Cross-examined by Mr. Burr:

Q. During the course of yesterday's hearing, you agreed to furnish the company with the gang set-ups and performances per gang or per man used by you in testing your quota

of labor unit costs as applied in this case; please tell the Commission the daily wage which you applied to each man in each of those gang set-ups?

A. In the case of exchange pole work, the factor——

(Here Committee confers with outsiders.)

Mr. Burr: Will you wait a moment.

Mr. Caland (after conference with witness): Mr. Burr, I might suggest that my understanding is that in the data [fol. 4401] that he is to furnish, that is to appear in each case.

Mr. Williams: What we would like to know, also, is whether those wages applied to each man or the wages that are paid in each division or whether they are some composite or average of the wage.

Mr. Calland: You might ask him that.

Q. Will you give us that information?

The Witness: Read the question, please.

(Previous testimony read.)

The Witness: You will have to define "Each division"; I don't know what a division is.

Mr. Williams: In the divisions of the company, different wage scales are paid to the same class of men for the same type of labor. Now, are the wages used by you in your unit costs taken from the wage scales for some particular division or are they a composite or average of all divisions or some divisions.

The Witness: They are the wage scales reported by the company to the Public Utilities Commission of Ohio.

Mr. Williams: And those wage scales are reported by divisions, are they not?

The Witness: I believe so.

Mr. Williams: Well, we want to know whether you applied some division or some composite or average and what that composite or average is.

The Witness: A representative wage was applied in each case.

Q. What do you mean by the representative wage?

[fol. 4402] A. The representative wage.

Q. Well then, do you mean to say that you have applied for your labor costs or labor performed in one division of

the company the wages applicable to that kind of work for that division in each case, or had you used a composite wage scale representing an average or a composite of the different division scales?

A. I have used a representative wage scale and applied to all of the units which is applied to the inventory of all of the company's property.

Mr. Burr: Does the Commission understand what he means by that?

Chairman Klinger: I think he means the same as you mean by the average.

Q. Is that what you mean?

A. Possibly so. Of course, I don't understand what you mean when you save "average".

Commissioner Maullar: Well, the question, I take, Mr. Burr wants to know is whether you have taken an average of all or an average of an average of each division separate?

Chairman Klinger: Not for the record——

Mr. Burr: May we have it for the record, because we will just ask the witness and that will save one more question?

Chairman Klinger: If there was one group of labor getting one dollar a day and another getting two dollars a day, you would add the two together to get the average [fol. 4403] wage; that was what I understood Mr. Burr to mean.

Mr. Burr: Yes, if they are getting one dollar a day in one division, and two dollars for the same kind of work in another division, did you take the average of those two rates and apply it for all of that labor cost?

The Witness: In that circumstance, in most cases, I would have used the two dollars.

Q. Well, did you do it?

A. To a very large extent, yes, sir.

Q. Well, we would like to know, Mr. Allensworth, without any more indirection if possible, just what you did in arriving at your labor costs in this case, understanding, if you please, that the wage rates of the company on file with this Commission show different rates of pay for the same kind of work accordingly as the work is performed in one division or in another?

A. I used the representative wage scale. In some cases, I used the highest wage paid.

Q. When you didn't use the highest wage scale, what did you consider a representative wage scale to be?

A. The representative wage scale would be that one which more truly represented the wage paid throughout the property.

Q. Who decided whether it more truly did or did not represent the wages paid throughout the property?

A. I did.

Q. On what did you base your decision?

A. My investigation of the wages paid at the time I made the investigation.

[fol. 4404] Q. Well, we are just going around in a circle, Mr. Allensworth; what investigation did you make?

A. I had before me the reported wage paid by the company for various classes of workmen as reported to the Public Utilities Commission of Ohio.

Q. Yes. Is that the only investigation you made in order to determine what in your judgment was the representative wage scale to be used in your unit costs?

A. That and my then knowledge of the property as revealed by the company's inventory.

Q. How did your knowledge of the property as shown in the company's inventory, reflect upon your judgment as to what was the representative wage scale to be applied to that property?

A. My knowledge of the property together with the inventory quantities, and my knowledge of the location of the larger parts of the property.

Q. You haven't answered my question; I said, how did that reflect—that knowledge which you claim you have—reflect upon the representative wage scale which you say in your judgment was to be applied; what connection is there between the two, your alleged representative wage scale and the company's property located in one division or another?

A. Now, the reporter please read my previous answer.

(Previous answer read as follows:) "My knowledge of the property together with the inventory quantities and my knowledge of the location of the larger parts of the prop-
[fol. 4405] erty". And the smaller parts of the property.

Q. Let me ask you this; take the wage rate of a ground man for the southern division of the Ohio Bell Telephone Company's property; will you give us the wage rate which you applied for that man, and also the wage rate given for that man in the schedule of wages of the company as of 6/30/25 on file with the Public Utilities Commission?

A. The effective wage that I used for that type of workman in a pole line construction was $5.194, per day.

Q. I am asking you about the southern division?

A. That applies to the southern division.

Q. Now then, what was the corresponding wage rate on file with the Public Utilities Commission as of 6/30/25?

A. I do not know; I have not that data with me.

Q. Does not that wage rate which you have just referred to include the loading for the foreman's wages?

A. Yes, sir, that is the effective wage per day.

Q. And what was the wage for the scale line that you applied?

A. The wage rate?

Q. The wage rate?

A. For labor was $4.00 a day.

Q. Did you use that for a ground man for work in all divisions?

A. Yes, sir.

Q. Now, how did that $4.00 correspond with the wage rate for that kind of man in the wage schedule on file with the Public Utilities Commission as of that date?

A. I can't answer that; I have not that schedule before me.

[fol. 4406] Q. Wasn't that $4.00 which you used, the average wage rate of all four divisions of the company?

A. I can't answer that without having schedules before me that I worked from.

Q. And wasn't that $4.00 the average for all common laborers and not for ground men?

A. That may very well be. I don't remember whether it is or not.

Q. Then did you use the wage scale on file with the Commission for laborers and apply it for ground men in your labor unit costs?

A. I have already in answer to your previous question stated that the wage rate that I used for the ground men

was $4.00 a day. The effective wage of ground men was $5.194 per day.

Q. Wasn't the wage scale effective as of 6/30/1925 of the Ohio Bell Telephone Company and on file with this Commission for ground men, higher than the wage scale for laborers at that time?

A. Not that I know of. If that is true—and which it may be—I don't know it, because I have not that schedule before me.

Q. Well, what wage scale did you use for linemen in your labor unit costs as applied in this case?

A. Effective wage of $6.40; a wage rate of $5.20.

Q. Now then, do I understand it, that the wage rate which you applied in each instance will be furnished us along with the other information which you agreed to furnish us yesterday—or rather which you agreed to let us have and agreed that we might copy?

A. Subject to any other orders from the Attorney General, yes, sir.

[fol. 4407] Q. Two members of the Commission not having heard the previous testimony on the subject of a machine for pole hole digging, is not such a machine a labor-saving device consisting of a large earth-boring drill or bit, erected at the end of a truck and operated usually by a gasoline motor installed in the truck; the diameter of the drill or bit corresponding to the desired size of the pole hole?

A. I don't know that is is, although it may be. That is one type of such a machine.

Q. Is not that the usual type used throughout Ohio?

A. Not to my knowledge.

Q. Do you know of any public utility company in the State of Ohio having pole drilling machines that are not substantially of the character which I have described?

A. I think so.

Q. Well, what ones?

A. The Ohio Public Service Company.

Q. How does it differ from the one I have just described?

A. The pole hole digging machine is on a trailer, not associated with a truck.

Q. Well, does not it function in substantially the same way as the one that I have described?

A. No, sir. It is not driven by the motive power of the truck.

Q. It is driven by motive power, isn't it?

A. Yes, sir.

Mr. Burr: I can't imagine why the witness should be so unwilling to give this Commission a fact of the ordinary operation of a hole digging machine, but I will ask you this [fol. 4408] then:

Q. Is not the pole hole digging machine a labor-saving device, having a large earth-boring drill or bit somewhere about it and is not that drill or bit usually operated by a gasoline motor either installed in the truck containing the bit or at least close by?

A. I will answer that with a simplified definition: The pole hole digging machine is our true earth auger.

Q. Very well. I am sorry you did not say that at first. Do the hole-digging costs apply——

Commissioner Huffman: Don't spend any time on that unless you care to educate the Commission, because two members of the Commission know what a pole hole digging device is.

Q. Do your hole digging costs applied in this case contemplate that the hole will be dug by hand or by machine?

A. By hand.

Q. By hand. On Page 2812 of the record in this case, you stated that the details of that computation of costs for the hole digging machine by which you increase the company's saving of 85 cents to your claimed savings of $1.50 per pole were available, and you subsequently furnished the company with certain details of cost showing that claimed saving of $1.50, did you not?

A. Yes, sir.

Q. Were those details in existence at the time you testified in chief?

A. I think so.

Q. Didn't you tell Mr. Schneider and Mr. Williams that [fol. 4409] you made those details up after you testified?

A. I undoubtedly did in the form it was submitted.

Q. Taking this copy which I will hand you of the statement of your costs for a hole-digging machine furnished the company subsequently to your testimony, will you please tell the Commission what of the details that constitute the item of $29.17 designated as operating labor for your pole-hole-digging machine?

A. (No paper furnished witness.)

Mr. Burr: We will pass that for a moment while Mr. Williams is finding the statement and I will ask you this:

Q. Referring to your typical gang for pole line construction consisting of one foreman, one sub-foreman, four linemen, fifteen ground men and one-half clerk, applying to that gang if you please, the Ohio Bell Telephone wage scale as of 6/30/25, which you say you used in this case——

A. I beg your pardon, I didn't know that the question was complete.

Mr. Burr: Read the question.

The Witness: Please read the question.

(Previous question read.)

Mr. Calland: Applying or applied?

The Witness: What is the question?

Mr. Burr: Apply.

The Witness: The wages I used in this case are foreman, $6.60; sub-foreman, $5.60; clerk, $4.00 a day; linemen, $5.20; groundmen, $4.00.

[fol. 4410] Q. Will you do the same thing for the toll?

A. The same wage rates were used on toll.

Q. You have testified in this case, I believe, that your pole hole digging performance used in your unit costs contemplate the digging of four one-sixth poles per man per day; that is correct, is it?

A. Yes, sir.

Q. Tell the Commission if you remember the digging performance in terms of average pole holes per man per day contemplated in your Cuyahoga labor costs?

A. I have no recollection of what they may have been.

Q. Let's see if we can refresh your recollection in that respect. Referring you to the colume marked "Volume Number 1 of the details of the unit costs used by you in your Cuyahoga valuation and calling your attention to page A-9 of that volume, tell the Commission what was the unit cost as shown for digging the hole for a 30 foot class B cedar pole?

A. If the sheet before me is the correct statement of the unit that I used in that case and if I understand the question correctly, the amount is 60 cents.

Q. Do you deny that that was the cost which you applied in that case?

A. I do not deny it; neither do I affirm it. I don't know

whether it was or not. I will have to check that up to find out.

Q. Will you do it?

A. If you let me look at that volume, I think I may answer it for you. (After examining) On Page marked B-8-Number 1, of the book of data that I have before me, and which the company says is the detail of the unit costs that are used [fol. 4411] in the appraisal of the Cleveland Division of the Ohio State Telephone Company, which appraisal was made as of the date April the 1st, 1924——

Q. 1924?

A. Or 1914—I beg your pardon—there appears the following statement: The unit prices for labor for poles at point of use, that is cost of digging hole, setting pole, stepping and painting, were taken from the unit cost schedule published in the Ohio Independent Telephone Association after comparing them with averages secured from computing actual costs of setting poles during the years of 1909, '10, '11 and '12 as shown in the accompanying schedule.

"The minimum cost price—That is the minimum as shown on this schedule published by the Ohio Independent Telephone Association—is shown in unit cost schedule or book was used on account of sand being in soil which is found in nearly all over Cleveland."

"The maximum cost price for setting poles is shown in unit costs, poles, was used owing to the large number of poles set on private property".

Q. That is the next question I was going to ask you. Now then, you did adopt and use in your appraisal in that case, the pole hole digging costs of the Ohio Independent Telephone Association, didn't you?

A. Yes, sir.

Q. Yes.

A. For reasons already explained.

Q. Yes. And that cost for a thirty foot pole hole was 60 cents, wasn't it?

[fol. 4412] A. As shown on the sheet that was revealed to me, yes, sir.

Q. Well, will you look at that volume at your leisure—first, will you look at the volume of your unit costs in the Cuyahoga case and tell the Commission whether or not that is what we claim it to be, namely, the volume of your unit costs used in that case, so that we will not have to go

through all this indirection as we proceed in the hearing? It seems to me, you can do that for us.

A. Mr. Burr, that was made up ten years ago, whatever the original fact is. The only way I could testify that that is a true copy of my original notes would be to compare it with the original.

Q. Well, will you recognize the pencil copy of your costs in that case?

A. I will attempt to; I don't know whether I can or not.

Q. Look at the volume which is now exhibited to you and tell the Commission whether or not you recognize that as the volume?

A. That is not my—those are not my notes. Now, to simplify your question, if you please, you have there a published schedule of the Ohio Independent Telephone Association. I can identify that for you if you wish me to.

Q. Yes, well, I will come to that next?

A. (No response.)

Mr. Burr: Well, Your Honors, the only way that we can identify the volume of unit prices used by this witness as we claim he used it in this Cuyahoga appraisal, is to ask him whether or not that volume does not correctly show the [fol. 4413] cost.

Mr. Calland: The only way he can tell here is to examine it and find out.

Mr. Burr: And we would like to have him do it.

Mr. Calland: All right, have him do it.

Mr. Burr: And will he do it?

Mr. Calland: Yes, he said he would.

Mr. Burr: And unless he advises the Commission to the contrary, may it be understood that that volume does correctly show the costs, the details of his unit cost applied in that case?

Mr. Truner: Depends upon whether time be given or not to make the examination. Does it bear the file mark of this Commission?

Mr. Burr: Oh, he did not file that with the Commission. This is the volume of his detailed unit costs which he made up and applied in the value, with the Commission.

Mr. Calland: Have an opportunity to examine it and check it against anything that he has to check it against and then advise the Commission whether it is or not.

Q. Have you the original copy of this?

A. Yes, sir.

Q. Will you let us have it and let us check——

A. No, sir.

Q. Well, then, will you bring it to your office and will you let one of the company's engineers come over to your office [fol. 4414] and sit down with you and compare the volume which we have with the volume which you have in order to determine whether or not our volume correctly shows the details of the unit costs used by you in that case?

A. If that is the way you want it done, but I can do it in a much more simple manner if you let me have the volume that you have, I will compare it with my original.

Mr. Burr: We will do that.

The Witness: Yes, sir.

Mr. Burr: Be glad to.

Q. Then subject to check. I understand that your unit cost for digging the hole for a thirty foot Class C cedar pole in the Cuyahoga case was 60 cents; is that right?

A. Yes, sir, that is the cost that I used as heretofore explained.

Q. I hand you a volume of twelve pencil-numbered pages entitled, "Unit cost, Ohio Independent Telephone Association, Columbus, December, 1914," and ask you if that volume contains the labor prices for poles referred to in the paragraph of your unit costs which you have just read to the Commission?

Mr. Turner: Mr. Burr, would you permit a suggestion that all of these papers that are passed to him be identified so that——

Mr. Burr: Let that be identified and marked for identification "Allensworth, cross-examination, Exhibit 3".

And thereupon the paper writing so last above referred [fol. 4415] to is for the purposes of identification marked Allensworth, Cross-examination, Exhibit 3.

The Witness: Yes, sir, that is the document described.

Q. Will you turn to Page 7 of that paper volume of costs prepared by the Ohio Independent Telephone Association and state what cost is shown there under the title of "digging" for "minimum" and "maximum", respectively?

A. Well, the amounts shown under the minimum and the maximum under the title, "digging" ranges from thirty cents to five dollars.

Mr. Williams: On a thirty foot C cedar pole?

Q. What is the average size of pole shown in the Ohio Bell Telephone Company's inventory and which you have priced in this case at $4.474?

A. According to the company's averages, the average size pole in the inventory is 30 foot Class C pole.

Q. Yes.

A. Which average, I adopted for some purposes.

Q. It is a thirty foot pole, isn't it?

A. How?

Q. It is a thirty foor pole, isn't it?

A. That is the average adopted by me, yes, and claimed by the company.

Q. Yes. Now then, what are the hole-digging costs shown in that statement which you have marked Allensworth Exhibit Number 3 for digging 30 foot pole holes?

A. Want the minimum and the maximum?

[fol. 4416] Q. If you please?

A. That ranges from sixty cents to $1.10.

Q. Turn to the next page, page 8 of that paper, volume of costs, and read what is set forth under the subject heading, of, "digging holes"?

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[fol. 4417] Mr. Turner: Where is there any claim that they are correct in that case?

Mr. Burr: Why, he used them.

Mr. Turner: That does not prove they are correct. If the court please, I just want to call attention to a statement in this exhibit itself: "The labor costs submitted are not calculated for the larger cities of Ohio where conditions of labor, transportation, street obstructions, municipal requirements, etcetera make special calculations necessary."

The very cross-examination here has shown that 80 per cent of this particular property is located in these cities. Bear in mind that this is a cross-examination of this wit-[fol. 4418] ness' testimony in the Cuyahoga case. The witness says that he adopted—gives no reason—does not say that they are true values—he has adopted these labor costs as published by the Ohio Independent Telephone Association. That is the statement made to the Commission. There is no deception to that. He says that he has compared them, but he don't say that they are correct, he

simply says this to the Commission, is the unit costs of the Ohio Independent Telephone Association and that on this basis says that with other costs where conditions of labor, transportation, street obstructions and so forth, make special calculations necessary.

Mr. Burr: Let me interrupt you, may I, for a moment. I think we can short cut this, by my calling to the attention of the Commission, the fact that the Attorney General has just read into the record the very sentence we were going to ask Mr. Allensworth to read into the record so we are spared the necessity of asking Mr. Allensworth.

Mr. Turner: I thank you.

Mr. Burr: So we will go on.

Mr. Turner: Now, you can confuse the record very easily by basing a proper cross-examination for the Cuyahoga case and making it in this case and that confuses this record and that is what we are objecting to. If this were the Cuyahoga case, the question would be proper, but it is not the Cuyahoga case, and it is not shown that Mr. Allensworth's judgment is shown in those figures. If Mr. Allens- [fol. 4419] worth's judgment were shown in those figures, that is one thing at that time with this explanation where the labor costs apply.

I just don't want to go to trying the 1914 case here, and under the cross-examination, mix up with this case.

Q. Mr. Allensworth, do you now repudiate the 60 cent pole digging costs that you used in your Cuyahoga valuation?

A. Not with the explanation I have given with it, no, sir.

Q. Yes, you adopted it and used it in that case, didn't you?

A. By agreement with the engineer of the Commission, yes, sir.

Mr. Turner: That does not make it of value. That is all the more reason that my objection should be sustained. That it was done with the agreement with the engineer.

Mr. Burr: That makes the case all the more effective.

Mr. Turner: No, it don't affect it in that case, but that does not show whether they were two values or not. It is well known that every company tries to get all they can and get the highest rates for labor it can and if they can get an agreement with the engineer of the Commission, they certainly will take advantage of it.

Q. Take your volume of details of unit costs which you prepared and used in the Cuyahoga valuation, and turn [fol. 4420] to Page 1 and beginning with the last paragraph on that page, read into the record the matter found there and over to the last paragraph on Page 2 if you please.

Mr. Turner: Will you identify that, too, please, Mr. Burr?

Mr. Burr: It may be marked Allensworth Exhibit Number 4 on cross-examination.

And thereupon the paper writing so last above referred to is for the purposes of identification marked Allensworth Cross-examination, Exhibit Number 4.

Mr. Turner: We object to introducing self-serving declarations. This is part of their own records. I find that this is nothing ever submitted to this Commission at any time,—or its predecessors—it is simply something from the files of the Ohio Bell Telephone Company.

Chairman Klinger: How are you claiming that is to be competent?

Mr. Burr: This is a volume of Mr. Allensworth, details of unit costs which he used in the Cuyahoga case; not a self-serving declaration at all.

Commissioner Huffman: How is it identified?

Mr. Burr: He says that he will compare it, and we say that it is.

Commissioner Huffman: That does not make it competent.

Mr. Burr: We will show that has been all compared. [fol. 4421] Now, for that purpose——

Mr. Turner: No, pardon me, Mr. Burr, it is not a question now of identifying or of comparing the thing. Assuming that it is a true copy, then how do you claim it is competent here? It is never filed anyplace. If it was prepared by him or by the company, it is still a self-serving declaration of the company which you are trying to get in.

Mr. Burr: Why, it is not a self-serving declaration of anybody.

Mr. Turner: It comes from the files of the company, doesn't it—that paper that you have here—Allensworth cross-examination, Exhibit Number 4 comes from the files of the company, does it not?

Mr. Burr: I don't know where it came from, but it was prepared by Mr. Allensworth.

Mr. Turner: You know it, and it is your papers—you certainly know where it came from.

Chairman Klinger: Let me see what it is.

Mr. Turner: It is their own paper, just as if I would prepare something over here and offer it to Allensworth and ask him to read it and get it in that way.

(Here Commission, counsel and witness confer.)

Chairman Klinger: Mr. Burr, I think you can ask him on the substance of this by way of direct-examination in——

Mr. Turner: By way of what—cross-examination—what does he say?

[fol. 4422] Commissioner Huffman: By way of direct-examination.

Mr. Turner: Well, that is not a matter for direct-examination.

Q. Didn't you prepare a statement in connection with the unit costs by you in the Cuyahoga case?

Mr. Turner: Objection.

Q. (Continuing.) And didn't you state in substance, that "Many reasons could be cited to show these costs used by you in that case were conservative."

Mr. Turner: Objection. It is not a matter of cross-examination of anything to which he has testified in this case.

Chairman Klinger: This is necessarily just a part in and of itself, it would not mean anything, but it necessarily responds—you may answer that.

Mr. Turner: Note an exception.

The Witness: Read the question.

Q. (Previous question read.)

A. In making up those unit costs referred to——

Q. Will you answer that question yes or no?

Mr. Turner: You can answer yes or no.

Commissioner Maullar: The question is, did you make that statement read to you?

Mr. Turner: Look at the book and see.

The Witness: Read just the last part, or give me the book.

Q. (Previous question read.)

A. That appears in the explanatory matter of the book referred to.

[fol. 4423] Q. And don't you make that statement?

A. I will have to check back on my original notes. I think I did. I am not willing to agree, that that is probably my language, but whether I did or not, I can't testify until I check back on my original.

Q. If you do not advise us to the contrary, may we understand that you did so state?

A. No, sir, because I don't know when you expect the advice; if there are any admissions made, it will have to be made by the attorney general and not by me.

Mr. Burr: What do you say, Mr. Attorney-General?

Mr. Turner: We will check the whole thing at once and any discrepancies found will be noted. I am willing to assume that it is correct. Now, we have made no comparison.

Mr. Burr: And if you don't advise us to the contrary, may we still assume that it is correct?

Mr. Turner: Yes, so far as material.

Mr. Burr: Yes.

Mr. Turner: Of course, my objections are made to the materiality.

Q. Considering the fact that you used the minimum pole hole digging cost of 60 cents for a 30 foo- pole hole, in that case, as you say on account of sand being in the soil which is found nearly all over Cleveland, and considering the fact that the dollar per hole digging cost also referred to for a thirty foot pole hole included no rock digging, what in your judgment as an engineer, would have been the average cost [fol. 4424] for digging a thirty foot pole hole in the State of Ohio in 1914?

A. I made no such calculation.

Q. What would have been the average cost?

A. I can't say that, Mr. Burr, without making the calculation.

Q. It would have been considerably higher than sixty cents, wouldn't it?

A. I don't know how much higher it may have been; I was not making a state-wide valuation in 1914.

Q. Will you make such a calculation for us?

A. I don't know that it would be possible. I have no

data at present as to conditions in Ohio in 1914, all over the territory.

Q. I don't suppose you want this Commission to understand that sand would be encountered in pole hole digging throughout the State of Ohio in the year 1914, do you?

A. It will be encountered in places other than Cleveland.

Q. Wouldn't the average digging be harder than sand digging?

A. Yes, sir.

Q. Then in your judgment would not the average costs for digging a thirty foot pole hole in the state of Ohio in 1914, have been at least the average of the sixty cents and the $1.00 referred to in that digging cost?

A. No, sir.

Q. Why not?

A. Because you can't take any such schedule as that and add two figures together and divide by two and get anything. That was not the way it was built up and that was [fol. 4425] not what it was intended for.

Q. Haven't you any idea as to what the average cost would have been, considering that you applied 60 cents for sand digging in Cleveland?

A. I have not, because I have not in my recollection at this time conditions in Toledo, in Columbus, in Akron, in Youngstown and other places in the State as to April the 1st, 1914.

Q. What about your recollection as to June 30, 1925?

A. I devoted quite some consideration to that question as of June 30, 1925.

Q. Well, the soil has not changed any between June 1925 and 1914, has it?

A. No, sir, not that I know of.

Q. How would the average cost of digging in Ohio Bell Territory as of 6/30/1925, compare with the sand digging in Cleveland territory in that year?

A. Assuming all things being equal, the average digging would be harder than it would be in Cleveland.

Q. How much harder?

A. I can't answer that offhand.

Q. Then how did you arrive at your composite cost for hole digging for the whole state?

A. By considering the state as an entirety and deciding on what I considered would be a representative average

performance to apply throughout the Bell Company's territory, including——

Q. You mean an average cost—well, average cost or average performance? Well, now, have you determined what was the average cost or average performance for the Ohio Bell Telephone Territory as of 6/30/25; how did that [fol. 4426] compare with the Cleveland situation in respect of hole digging?

Mr. Turner: Objection. There was no similar situation there. The evidence so shows.

Chairman Klinger: He is asking for a comparison.

Mr. Burr: I am asking him to compare Cleveland with the State of Ohio.

Chairman Klinger: Yes, I think he may answer.

Mr. Turner: In 1925.

Mr. Burr: He says he has taken an average condition. The Commission says you may answer.

The Witness: Please read the question.

(Previous question read.)

Mr. Turner: That is in 1925.

The Witness: To the Cleveland situation?

Q. The Cleveland situation in respect of digging pole holes as of 6/30/1925.

A. The cost of digging pole holes on the average throughout the territory would be higher than would be the cost of digging pole holes in Cleveland, all conditions being equal.

Q. Yes.

A. All other conditions being equal.

Q. You have told me that I think three times, but I would like to know how much higher?

A. In a quantitive amount, I have not that in my recollection at this time.

Q. Have you it in the qualitative amount?

A. No, sir. In making this study, I did not fix particular quantative amounts for particular areas. I considered the property as an entirety.

[fol. 4427] Q. How did you arrive at the average for the whole state if you did not consider the soil conditions in the various areas?

A. By considering what the cost of digging would be in ordinary soil, ordinary conditions, which of course would be a higher cost than would be encountered in Cleveland under a similar physical condition.

Q. You say——

A. And then knowing that such allowance would be a generous allowance for a digging performance throughout the territory, and even offset extra hard digging that might be encountered in spots.

Q. Now, that generous allowance which you say you made, resulted in your considering that a man would dig 4 1/6 holes per day for 30 foot poles; isn't that true; didn't you so testify in chief?

A. No, sir, I did not so testify. The fact is that the pole hole digging performance that I used for 30 foot poles was 3½ poles per man per day.

Chairman Klinger: You may take a few moments recess.

(At this point a short recess is taken.)

Q. You have admitted that your average pole-digging costs for the Ohio Bell Territory would be something over the 60 cents for sand digging used in your Cuyahoga case costs?

Mr. Calland: I think he said other things being equal in that case.

Q. What did you mean by other things being equal in the previous answer?

[fol. 4428] A. Other physical conditions being the same.

Q. What do you mean by that?

A. The physical conditions under which the pole would be dug.

Q. What are the physical conditions which you are talking about?

A. They are numerous. The location of the hole of itself, whether it would be in a street or whether it would be in an alley, and if on a street what kind of a street and under what conditions the hole would be placed in the street.

Q. Did you take all of those factors into consideration in building that unit costs in this case?

A. Yes, sir.

Q. Of course you did. Now, what weight did you give to each one?

A. I applied my judgment to it.

Q. How many holes were there in the 1925 inventory of the company to which you applied that judgment in Cleveland?

A. What is that?

Q. How many holes were there in Cleveland as shown by the Ohio Bell Telephone Company's inventory and to which you applied that judgment?

A. I applied that judgment to all of the poles of the company, not localizing them in Cleveland, to any one particular territory.

Q. Don't you say the conditions are different in Cleveland than they are in the State generally?

A. I said that the digging in sand ordinarily would be easier digging than other kinds of soil.

Q. Well, now, what will you say as to the general overall cost of digging holes in the Cleveland district and the cost [fol. 4429] of digging holes in Ohio Bell Telephone territory as a whole as of 6/30/25?

A. I think it should average just as I did in my unit costs.

Q. Well, what do you mean by that?

A. The units that are used contemplate the entire property of the Ohio Bell Telephone Company. Now, there are locations in Cleveland that it would be no more difficult to dig a hole and erect the pole than it would in Columbus or in Westerville, as far as that goes, and there are other places where it would be more difficult. There are those conditions which obtain—purly local conditions—that obtain in every particular community.

Q. But you can't tell this Commission then the difference between pole hole digging costs in the Cleveland territory as of 6/30/25 and those in the rest of the Ohio Bell territory as of that date, can you?

A. I have already stated, I can not, because I did not approach the subject in that way.

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[fol. 4430] Q. Going back to the 60 cent cost for hole digging and the one dollar cost referred to in the volume of costs of the Ohio Independent Telephone Association, you are unwilling to tell this Commission what in your judgment would have been the average cost for the digging of a 30 foot pole hole in the State of Ohio in 1914?

Mr. Turner: Objection.

Mr. Calland: I object to the form of the question.

Mr. Turner: Not unwillingness to state it, he said he didn't have the data.

Chairman Klinger: Yes, the question as put is probably unfair to the witness.

Q. Very well, I will ask you again. Can you or will you tell us the average cost for digging a 30 foot pole hole in the State of Ohio in 1914?

Chairman Klinger: You mean in the Bell Territory?
Mr. Burr: Yes.
Mr. Turner: Objection. Not material in this case.
Chairman Klinger: Well, he may answer if he can.
The Witness: I have no 1914 data covering the entire territory at hand, therefore, I can not make any such [fol. 4431] estimate.

Q. Very well, as appraisal engineer of the Ohio State Telephone Company, weren't you familiar with soil conditions all over the State of Ohio?
A. Yes, sir.
Q. Well, would it have cost more or less to dig holes on the average in the State of Ohio in 1914 than it did in Cleveland as of the same date?
A. Under the same digging conditions, digging in sand, would be cheaper than digging in harder soil.
Q. Will you tell us how much?
A. I could not answer that offhand, no, sir.
Q. Taking the sixty cent cost and the one dollar cost heretofore referred to and averaging them as eighty cents, for the purposes of illustration, what if you remember was the average daily wage of ground men employed by the Cuyahoga Company in 1914?
A. I don't know.
Q. To refresh your recollection, look at this schedule of wage rates as of August, 1914, taken from the payroll records of the Ohio State Telephone Company of which the former Cuyahoga Company was at that time a part and tell the Commission if the average wage of ground men at that time was not approximately $1.80 a day?

Mr. Turner: Objection to the form of the question.
Chairman Klinger: If he can answer it. If he can not, he may say so.
Mr. Turner: Let the record show what is being done. Counsel bring out their files a piece of paper and hand it to the witness and then ask him to base his answer on their

[fol. 4432] memorandum and make that testimony in evidence in the case and that is our objection.

Chairman Klinger: Well, I say it is up to the witness, he can answer; if he can not, he may so say.

The Witness: I have no recollection of wage rates in Cleveland in 1914.

Q. Very well, assuming the average wage of ground men at that time, to have been $1.80 a day, and the foreman's wage was $90.00 a month or $4.00 a day, that would make the ground man's wage including the allowance for foreman, about $2.01 a day?

A. It would if your arithmetic is correct.

Q. Now, $2.01 per day divided by 80 cents is the cost of digging 30 foot pole hole would be at the rate of about two one-half poles per day, would it not?

A. It might be.

Q. And he was then digging in sand. That would be for digging in sand, wouldn't it?

A. I don't know whether it would or not. You are putting in the testimony now.

Q. Oh, I am asking you to give me some answer based on certain assumptions; I think you can give me the answer without admitting the assumptions.

A. Well, I am not admitting any assumptions that you are making. You are basing that on schedule of unit prices put out by the Ohio Independent Telephone Association and if you look back on the detail of how those were built up you will find that 60 cent cost was not based on digging in sand.

Q. Don't you say in your valuation in that case that you [fol. 4433] used that sixty cent digging cost, it was digging in sand?

A. No, sir, because I said it was digging in easy soil.

Q. What made the soil easy?

A. What soil?

Q. The Cleveland soil that we are talking about, Mr. Allensworth?

A. Loose sand, it would be easy digging.

Q. Didn't you say that the minimum cost price as shown in your unit cost schedule for digging was used on account of sand being the soil?

Mr. Turner: Show it to him.

Q. (Continuing): Found nearly all over Cleveland.

Mr. Turner: Show it to him.

Q. (Continuing): And look at it and tell us; you said you didn't say sand; you said easy soil?

A. I didn't say anything of the kind. Now, if the reporter will please go back and read the record for the benefit of counsel, he may be able to straighten counsel out once again, and if in case that you do not want the reporter to go back and read all of that discussion, I will repeat it for you.

Q. The discussion was what you said in the case; what did you say about the digging in that?

A. In that former question, I was not discussing about what I said about digging in that case; I was discussing with you the price paid by the Ohio Independent Telephone Association. I told you that if you had the opportunity of going back on the details as to how those prices were worked up, you would find that that sixty cent price that your are constantly referring to was not based on a digging in sand. [fol. 4434] Does that make my meaning clear to you, please, Mr. Burr.

Q. Didn't you say——

A. Now, following that, you take some figures of yours and put in the record, certain averages, and certain costs and then ask me to authenticate them or endorse them as being the cost—the average cost of digging holes someplace based on sand in Cleveland and something else someplace else, and I frankly refused to do it.

Q. Of course, you do. Didn't you use 60 cents in Cleveland?

A. Yes, sir, for reasons already explained.

Q. And didn't you say you used it there because most all of the soil encountered in the Cleveland district was sand?

A. Yes, sir, I did make that statement.

Q. That being so, and on the basis of this 1914 cost used by you in your Cuyahoga valuation, modified for average Ohio soil conditions, the number of 30 foot pole holes per man per day would be then less than two and one-half, wouldn't it?

A. No, sir, I made no such average. If you are testifying, you can put that in the record if you wish.

Q. In other words, based on your Cleveland costs modified for all Ohio conditions, wouldn't you have arrived at less than two one-half poles per man per day?

A. I refuse——

Q. Pole digging cost?

A. I refuse to be led into making any answer based upon figures——

Q. Very well.

A. Which you are quoting in this record which figures you know absolutely nothing about.

[fol. 4435] Q. If my figures are correct, isn't it true, what I have just stated?

A. No, sir.

Q. Very well. Now, you have undertaken to state in the record in this case, that your labor unit cost per pole contemplated a digging performance of four one-sixth average size pole hours per man per day, haven't you?

A. I have stated in the record that having made up my reproduction cost and having analyzed the total of the labor assigned to hole digging then converting that back into holes per man per day, the average was about—what was the figure you used there?

Q. Four one-sixth.

A. About four one-sixth, yes, sir, as figured.

Q. Four one-sixth average size poles per man per day?

A. Yes, sir.

Q. Do I understand that you made up your reproduction cost first and then figured back to see how many poles it would allow for per man per day?

A. No, sir.

Mr. Burr: Read his previous answer, will you please?

(Previous lengthy answer read.)

Mr. Burr: We are perfectly content to let the record stand as it is.

Q. How many average size pole holes would you say could be dug per man per day in Ohio Bell Telephone territory as of 6/30/25 in rock?

(Cost)

A. The rock digging performance on the same wage rate would run from one hundred to two hundred per cent more than ordinary soil digging.

[fol. 4436] Q. That is to say,—you don't mean that a man could dig one hundred or two hundred per cent. more per day than in sand, do you?

A. That is not what I said.

Mr. Burr: Will you read his answer please?

(Previous answer read as follows: "The rock digging performance on the same wage rate would run from one hundred to two hundred per cent. more than ordinary soil digging.")

The Witness: Pardon me, that "performance" should be "cost."

Q. Now, at that time in Ohio Bell Territory or any comparable time, how many average size pole holes would you say could be dug per man per day in ordinary earth.

A. The average in the territory varies from different size holes.

Q. Still talking about the 30 foot pole?

A. Oh, thirty foot pole. In exchange, three one-half poles per man per day.

Q. How many in shale?

A. I haven't any separate figures for shale. That is the average of the total including shale and rock and sand and all conditions.

Q. How many in quick sand?

A. The same answer applies.

Q. Does the same answer apply in digging in heavy gravel containing large stones?

A. Yes, sir.

Q. And does the same answer apply to digging in swamp land?

A. Yes, sir.

Q. How many of the total number of poles in the com-[fol. 4437] pany-wide inventory are located in ordinary soil or were as of 6/30/25?

A. The total of the poles owned by the company as of 6/30/25 were in average soil conditions as represented here in my average digging performance.

Q. I am asking for ordinary soil conditions exclusive of digging in rock, shale, quicksand, gravel containing large stones and swamp land.

A. Where is there any cities in the State of Ohio that are in swamps?

Q. I am not talking about the state as a whole, Mr. Allensworth?

A. I thought we were talking about exchange poles.

Q. We are, the exchange poles are not all located in the cities, you know?

A. There is not many of them located in swamps either.

Q. How many of them?

A. Read the previous question, please.

Q. (Previous question read.)

A. Of course, I can not give you any number.

Q. How many were located in rock?

A. The same answer.

Q. In shale?

A. The same answer.

Q. In quicksand?

A. The same answer.

Q. In gravel containing large stones?

A. Same answer.

Q. And in swamp land?

A. The same answer.

Mr. Turner: Mr. Burr, for my information, you said that Mr. Williams was very specific. Did he give any such data as that in his testimony in this case?

[fol. 4438] Mr. Burr: No, but for the reason that Mr. Williams analyzed the estimates covered in the whole state and in that way got at the costs.

Mr. Calland: Does your record show it?

Mr. Turner: Have you got records that show this information?

Mr. Calland: Well, then, how could you when you don't know yourself?

Q. Being unable to tell the number of average size pole holes that could be dug per man per day in each of these different kinds of soil and having no information relative to the total number of poles located in each of these different kinds of soil and not having taken the company's experience for its costs over the state, tell the Commission just how you arrived at your average number of pole holes that could be dug per man per day for an average soil condition?

A. I refuse to answer the question because it states an untruth in the beginning of it.

Q. What part of it states an untruth?

A. Read the question.

Q. (Previous questions read.)

A. I have never made any such statement that I could not tell.

Q. Will you tell us please?

A. I have no such details before me and I will have to compute it and figure it up.

Q. All right.

Mr. Turner: We ask the company to furnish us that information. We call upon the company now to give us that [fol. 4439] information.

Mr. Williams: It is too late, the case is made up.

Mr. Turner: It is too late—you haven't got it—you haven't got it.

Mr. Williams: That is no reason to guess at it?

Mr. Turner: Well, you haven't got it and cannot get it—I doubt if you can get it.

Q. Haven't you stated that you don't know the number of average size pole holes that could be dug per man per day in each of the different kinds of soil?

A. No, sir, I have not so stated.

Q. Then will you state it now?

A. I have not that detail information before me. I can compute that. I can figure it out, but I have not any such figures before me.

Q. You can not state now then, can you?

A. I can not state it. If you wish to be technical on the word "state".

Q. And you did not have that information when you arrived at your pole hole digging cost, did you?

A. Oh, dear me, yes, Mr. Burr, I had whole bales of cost and showing relative costs of completing rock and shale and sand and gumbo and many different kinds of soil perhaps that are not found in the State of Ohio as far as that goes.

Q. Yes, but you did not know the number when you computed the unit cost for this case?

[fol. 4440] A. I did not, neither did the company.

Q. In your Cuyahoga pole labor unit costs, didn't you construct them with particular reference to the soil conditions of Cleveland?

A. I did not construct any unit costs in the Cuyahoga County appraisal. I have told you that about ten times.

Q. Well, in the analysis which you used and applied in the Cuyahoga case, weren't they applied with reference to the soil conditions in Cleveland?

A. No, sir. They were adapted from the cost schedule published by the Independent Telephone Association and there was no designation in that schedule as to soil conditions other than the soil conditions.

Q. And you did not designate the soil conditions in your labor unit costs in that case either, did you?

A. I stated that it was in sand, mostly.

Q. In your Tri-State labor costs, didn't you construct and apply different unit labor costs for each kind of soil conditions encountered there?

A. No, sir.

Q. Did you attempt to; did you attempt to secure a soil survey map or geological survey map of the State of Ohio in order to ascertain the soil formation in various parts of the State?

A. I have had such maps in my possession from my childhood.

Q. Did you make any use of them in this case?

A. I didn't have to; I know generally the soil conditions in Ohio.

Q. Then will you tell us the different soil conditions in [fol. 4441] the different parts of the Ohio Bell territory?

A. The average conditions throughout the Ohio Bell Telephone Company?

Q. I am not asking for the average conditions, Mr. Allensworth, I am asking you for the different parts?

A. Oh, generally; of course, I cannot be specific as to particular boundary lines, but the Lakeshore is generally sand, I suppose you encounter loam along the Lakeshore. In Cleveland, in the lowland you find sand. You find some clay. You find mud in Cleveland. You find some shale in the west part of Cleveland. In Franklin County here, you find sand; you find clay, you find loam and some rock—a very limited amount and to some small extent shale. In Toledo, you find clay and you will find gravel. In Columbus, you will find gravel.

Q. Isn't there a great deal of rock digging encountered in Toledo?

A. There is some; I would not say a great deal.

Q. Isn't rock digging almost altogether encountered in and around Sandusky?

A. There is rock digging encountered in and around Sandusky, but in a great many places not within hole depths.

Q. In most of the territory in and around Sandusky, isn't rock encountered in the digging of holes for telephone properties?

A. How many poles are there in Sandusky in this inventory?

Q. I am not on the witness stand. I am asking you about the soil conditions in and around Sandusky, Mr. Allens-
[fol. 4442] worth?

A. As of June 30, 1925, did the Ohio Bell Telephone Company own the Sandusky exchange?

Mr. Turner: Didn't have a pole there.

Mr. Burr: I am not on the witness stand.

Mr. Turner: No materiality, the Bell Company had nothing there.

Mr. Burr: Who is testifying now?

Chairman Klinger: Let us limit ourselves to things relevant to the condition. Is Sandusky in the Ohio Bell Territory?

Mr. Williams: The territory surrounding there.

Chairman Klinger: How?

Mr. Williams: The territory surrounding there.

Mr. Turner: That does not include Sandusky.

Chairman Klinger: Well then, ask it so that it will be relevant.

Q. What soil conditions are encountered in hole digging around Sandusky if you claim that the Ohio Bell Company didn't own any property in Sandusky at that time?

A. There is some rock encountered around Sandusky. There is clay found there, and there is a light sand.

Q. Do you mean to say that the Ohio Bell Company did not own the Sandusky Exchange property at that time, 6/30/25?

A. I don't remember whether it did or not. My recollection is that it was acquired about that time.

Q. Yes.

A. And I do not remember that the plant elements are in this inventory.

Q. What kind of soil is encountered in and around Day-
[fol. 4443] ton, in pole hole digging?

A. Clay and loam.

Q. Isn't there a great deal of rock there?

A. Not a great deal, some.

Q. What about Springfield?

A. There is limestone in Springfield overlaid with clay and loam.

Q. Yes. What of the soil conditions encountered in pole hole digging in the western part of Ohio Bell Telephone territory?

A. In what is known as the Ohio State prairie up here, pole hole conditions are very good.

Q. What do you mean by Ohio State prairie?

A. Well, that is the great plain of Ohio in that northwestern part of the state.

Q. Well, but what about the western part of the state?

A. That is in the western part of the state.

Chairman Klinger: I guess this is about as good a place to stop to 1:30.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day.

[fol. 4444] Friday Afternoon Session

August 17th, 1928.

And thereupon the further hearing of this matter was resumed pursuant to recess.

Present:

Same parties by their counsel as at previous session.

And also H. R. Allensworth, resuming the stand, continued his testimony as follows:

Cross-examined by Mr. Burr.

Q. The material prices shown in your Exhibit No. 5-A are the material prices used by you in your unit costs in this case, aren't they?

A. Yes, sir.

Q. And those prices shown in your Exhibit 5-A are precisely the ones quoted to you by the Erner & Hopkins Company or Erner & Hopkins branch of the Lake States Electric Supply Company, are they not?

A. Yes, sir.

Q. And they are all supposed to be as of June 30, 1925?

A. Yes, sir.

Q. Did you write letters, one or more, requesting prices on a given list of material items and submit those letters to the Erner & Hopkins Company?

A. No, sir.

Q. Did you request prices on a given list of material items [fol. 4445] by telephone?

A. To some extent, yes, sir.

Q. Well, just how did you go about the business of getting those prices from the Erner & Hopkins Company; I will call it the Erner & Hopkins Company instead of what it is, the Erner & Hopkins branch of the Lake States Electric Supply Company, if there is no objection.

A. I made request from the Erner & Hopkins Company, as you designate it, from time to time for material prices, in some cases by telephone and in some cases by going to the store establishment myself.

Q. With whom did you deal at the Erner Hopkins Company in requesting the prices for those material items?

A. Mr. Lloyd Pixley.

Q. Mr. Lloyd Pixley; did you have any dealings with Mr. Ritzman of that company?

A. No, sir.

Q. Or with a Mr. Jones?

A. Well, what was the first name, please?

Mr. Williams: R-i-t-z-m-a-n.

The Witness: I did not get it now. Now, off of the record.

Mr. Burr: R-i-t-z-m-a-n, Ritzman.

The Witness: Mr. Pixley instructed some of his clerks, one of them may have been named Ritzman, and I think one of them was named Jones, and told them to get me what prices I might want from time to time.

Q. Will you state as nearly as you can the wording of the request which you made from time to time to the Erner & Hopkins Company for these prices?

A. I, of course, can't remember the exact wording but the [fol. 4446] request was for prices of these various materials.

Q. Did you tell him or them the purpose for which the prices were intended?

A. No, sir.

Q. Do you know from what record the Erner & Hopkins Company or some employee of that company, obtained the prices quoted to you?

A. I was told that they got the prices from their sales record, their sales slips.

Q. And not from the list of the manufacturers' quotations?

A. Well, of course, I can't answer that directly, because I don't know; I didn't make the prices.

Q. I see. I see. Was the form of the listing of this material requesting prices given to Mr. Ritzman, or to whom ever else attended to you, the same form that you have used in your Exhibit 5-A in this case?

A. I think so, substantially excepting that some of it was on lead pencil memoranda, paper; some of it was verbal.

Q. Did the listing of the material items presented by you to the Erner & Hopkins Company with your request for prices contain any more information or further description in respect of any items than that shown in your Exhibit 5-A?

A. Not that I remember of, although there was, of course, certain discussions as to the materials at the time the request was made.

Q. Aren't the various kinds of miscellaneous telephone material graded and priced according as they do or do not comply with certain specifications applicable to them?

A. Yes, sir.

[fol. 4447] Q. What specifications, if any, did you furnish the Erner & Hopkins Company relative to anchor rods in which you requested prices?

A. The anchor rods of which I requested prices are a standard product of factories and the quotations made were upon the standard product as turned out by the factories manufacturing the same.

Q. Well, I don't care anything about those being standard products; I am asking you about the specifications which you furnished the Erner & Hopkins Company for those anchor rods for which you were requesting prices?

A. I furnished no detail specifications.

Q. And you didn't furnish the Erner & Hopkins Company then with any weight specification per hundred rods for each size of the rods for which you requested prices?

A. No, sir.

Q. What were the weight specifications corresponding to each size of rods for which you were quoted, furnished prices by the Erner & Hopkins Company?

A. They appear in the manufacturers' catalogue; I have not the manufacturers' catalogue in my possession.

Q. Well, will you find out from the Erner & Hopkins Company if they were not as follows:

One-half inch by 6 feet, 402 pounds per hundred.

⅝ inch by 7 feet, 740 pounds per hundred.

¾ inch by 8 feet, 1210 pounds per hundred; will you do that, please?

A. Yes, sir.

Q. What are the weight specifications corresponding to each size of the rods or size used by the Ohio Bell Telephone [fol. 4448] Company?

A. I don't know except——

Q. Weren't they as of 6/30/1925 as follows——

A. Pardon me, I will finish my answer.

Q. Oh, I thought you said you did not know?

A. I did but I have a further statement to make.

Q. Yes, I thought that fully answered the question. Proceed.

A. I don't know that I have in my possession the material catalogue of the Western Electric Company in which the weights are shown.

Q. Weren't those weights as follows: half inch by 6 feet, 410 pounds per hundred; ⅝ inch by 7 feet, 735 pounds per hundred; ¾ inch by 8 feet, 1250 pounds per hundred?

A. I don't know whether they are or not.

Chairman Klinger: Just for my own information, I didn't understand that question; what did you mean?

Mr. Burr: We want to show, if Your Honor please——

Chairman Klinger: I mean what is that question, what is that item, please read one.

(Previous item read as follows: "⅝ inch by 7 feet, 735 pounds per hundred.")

Chairman Klinger: Now, what does that mean?

Mr. Burr: That means a rod ⅝ inch in thickness and 7 feet in length.

Chairman Klinger: How many feet?

Mr. Burr: 7 feet in length.

Chairman Klinger: How do you make a rod out of that?

Mr. Williams: ⅝ inch round, 7 feet long.

[fol. 4449] Mr. Burr: A round rod.

Chairman Klinger: 7 feet in length?

Mr. Burr: Yes.

Chairman Klinger: Would weigh 100 pounds?

Mr. Burr: No, no.

Commissioner Huffman: 100 of them would weigh.

Mr. Burr: 100 of them would weigh 735 pounds.

Chairman Klinger: Oh, all right, I understand it now.

Mr. Burr: Is it clear now? I was confused myself about it at first.

Now then, will you read the question, please?

Commissioner Maullar: His answer was he don't know whether it would or not.

Q. Will you find that out and tell the Commission?

A. All I can do in finding that out is to bring in that Western Electric catalog and the company has that in its possession.

Q. Can't you tell the Commission whether the Western Electric costs which you have, covered the same kind of rods as to weight and specifications as those used by the Ohio Bell Telephone Company?

A. What is the question, please?

Mr. Burr: Just take the question out.

Q. You say that you have the Western Electric Company's specifications for these rods?

A. No, sir. I said that I had the price list of the Western Electric Company which was furnished me by the engineers of the Ohio Bell Telephone Company.

[fol. 4450] Q. Yes, and did that show the specifications of these rods?

A. And they show the dimensions of the rods.

Q. You don't know then whether the specifications for the rods priced to you by the Erner & Hopkins Company have the same specifications as the Western Electric rods used by the Ohio Bell Telephone Company or not, do you?

A. To the best of my ability they were priced on identically the same article.

Q. And is that true in respect of all the miscellaneous material for which you requested quotations from the Erner & Hopkins Company?

A. Yes, sir.

Q. Did you make any investigation to determine whether or not the specifications for the material, as quoted to you by the Erner & Hopkins Company, corresponded to the Western Electric specifications for comparable material?

A. Yes, sir.

Q. And with what result?

A. The results in every place that I made investigations was the same.

Q. How many times did you make the investigation?

A. I can't tell you that. That has been about a year ago, I believe, that I got those prices.

Q. Name one single item in respect of which you made the investigation and found that to be true.

A. For instance, a Never Creep Anchor.

Q. Anything else?

A. You asked for one.

Q. Well, will you give us another one?

A. And for a further example, all patent anchors.

Q. Yes.

A. And for rods, my recollection is the same dimensions [fol. 4451] as shown in the Western Electric price list.

Q. I am asking you about the weight, now, what about the weight; did you make a comparison of the prices as to the weight?

A. Well, the comparison was to determine as to weight.

Q. You are sure of that?

A. It is a round rod one inch in diameter and 6 feet long, it weighed so much.

Q. Now then, apart from the item of anchors, and confine your attention to the item of anchor rods, tell the Commission what manufacture or type of rods you specified ½ inch by 6 feet, ⅝ inch by 7 feet and ¾ inch by 8 feet rods, when you requested prices for these sizes of rods from the Erner & Hopkins Company?

A. I did not specify manufacturer.

Q. What manufacture or type of rods of these particular sizes are found in the Ohio Bell Telephone Company's properties?

A. I don't know; I don't know that the manufacture is stated in the price list. It may be. If it does, I don't remember it.

Q. Aren't they Never Creep rods?

A. Not that I know of.

Q. I see. Did you investigate to see what kind of rods were to be found in the property of the Ohio Bell Telephone Company?

A. If you will hand me that price list I can tell you. I don't intend to remember the individual pages of the Western Electric Company's price list.

Q. No, I am asking you whether you made any investiga-
[fol. 4452] tion to determine the kind of anchor rods used in the Ohio Bell Telephone properties?

A. The Ohio Bell Telephone property?

Q. Yes.

A. Well, I happen to know that in the Ohio Bell Telephone property there are Western Electric anchor rods and there are a great number of anchor rods that are not Western Electric.

Q. How does the number of non-Never Creep rods compare with the number of Never Creep rods in the Ohio Bell property?

A. I don't know because I don't know if you have any Never Creep rods by themselves in the property.

Q. I am asking about anchor rods, of course?

A. Yes, but there are a lot of anchor rods and there are other factories that make identically the same rod as the Never Creep.

Q. Isn't the Never Creep rod a patented rod?

A. If it is, I am confused in the language, and if so I wish to be corrected. I thought up to this point that you were talking about a plain rod with an eye on one end and with a nut on the other.

Q. Well, we will go back again, then. Referring to the Never Creep anchor.

Mr. Turner: Patented anchor rod.

Q. That is a patented rod, isn't it?

A. The Never Creep anchor is patented. Now, that you refresh my memory, and the rod is also a part of the anchor.

Q. And that is the kind used in the Ohio Bell Telephone property, isn't it?

[fol. 4453] A. You have a number of those anchors listed in your inventory.

Q. Well, do you know how many do you remember?

A. I do not, I did not go into that detail.

Q. Are not substantially all of the anchor rods listed in the company's inventory of that kind?

A. I don't remember whether they are or not.

Q. Did the Western Electric, Erner & Hopkins Company quotations cover Never Creep anchor rods or some other kind, if you know?

A. Never Creep anchor rods.

Q. I see. You are sure of that, are you?

A. That is the information—that is the prices I requested.

Q. Yes. You don't know whether that is what you got or not, do you?

A. Of course not. I made a request for this price and I did not make up the prices; they were made up by the Erner & Hopkins Company.

Q. Are the Never Creep rods more costly than those whose prices you obtained and used in your appraisal?

A. I don't remember. (Afterwords requested to be stricken out.)

Q. Very well, referring next to three bolt clamps, tell the Commission——

A. Pardon me just a moment, will you. Will you read that last question, please, Mr. Reporter?

Q. (Previous question read)

A. Where Never Creep anchors were listed in the inventory, that is the price that I used. Please strike out the previous answer.

Q. Were Never Creep anchors listed as such in the inventory?

A. Yes, sir.

Q. They were?

A. In the detail of the inventory prices.

[fol. 4454] Q. And didn't that detail show that practically all of the anchor rods in the Ohio Bell property were Never Creep anchor rods?

A. I don't remember the detail as to the number; the comparative number of each kind.

Q. Very well now, referring next to the three bolt clamps, tell the Commission what was the weight of the clamps for which you asked prices from the Erner & Hopkins Company.

A. I asked for the price on a standard three bolt clamp, as sold for heavy work power companies.

Q. What was the weight of the clamps for which you were furnished prices by the Erner & Hopkins Company?

A. Mr. Burr, I assume all the way through the prices given me were the prices I requested. That is as far as I can go in making a statement as to what the prices were.

Mr. Burr: This matter of this miscellaneous material—it amounts to at least, if Your Honor please, $600,000 to us and that is why we are going into these costs with such particularity, and that represents, that $600,000, is a part

of the $2,000,000 by which Mr. Allensworth has cut the Ohio Bell Telephone Company's material costs.

Mr. Turner: We are not objecting to your going into it.

Mr. Burr: And I make this explanation because while the matter is tedious, I do not know any other way to get at it than by taking it up piece-meal.

Mr. Turner: We are not objecting.

Mr. Burr: The only thing is when we talk about a three bolt clamp it sounds rather insignificant and I don't want [fol. 4455] the Commission to think that we are picayunish in this thing at all. It comes to a great deal of money.

Chairman Klinger: We understand it.

Q. Will you find out from the Erner & Hopkins Company if those three bolt clamps for which they quoted you the price didn't weigh 226 pounds per 100 clamps?

A. I shall attempt to find that out.

Q. What is the weight of the three bolt clamps found in the Ohio Bell Telephone Company's property?

A. I don't know.

Q. Don't you know that they weigh 260 pounds per clamp?

Mr. Williams: Per 100 clamps.

Q. Per hundred clamps.

Mr. Turner: Per clamp—some clamp.

Q. Per hundred clamps. Which of the two kinds is superior and more costly, the 226 pounds per 100 clamps or the 260 pounds per 100 clamps?

A. The heavier clamp would cost more and I have so stated that I asked the prices on the heavier clamps used by power companies.

Q. What strain specifications did you specify for the three bolt clamps for which you asked prices of the Erner & Hopkins Company?

A. I didn't make any specifications.

Q. What was the strain specifications for those three bolt clamps whose prices were furnished you by the Erner Hopkins Company?

A. I don't know, of course.

Q. Will you find out from that company if the strain specification was not 10,000 pounds?

[fol. 4456] A. If it is possible for me to find out I will be glad to find out.

Q. Now then, what is the strain specified for the three bolt clamps found in the Ohio Bell property?

A. I don't know.

Q. Don't you know that it is 18,000 pounds instead of 10,000?

A. No, sir, I don't know that.

Q. Very well. Referring next to the item of fetter drive screws, what were the galvanizing specifications required in the request for prices from the Erner Hopkins Company in that item?

A. Standard fetter drive screw.

Q. Is that all you gave them in the way of specifications?

A. I think so.

Q. Well, what were the galvanizing specifications for the fetter drive screws whose prices were furnished you by the Erner Hopkins Company, if you know?

A. I have already answered that question two or three times; I asked for prices on these materials and I assume that all prices given were the prices of the materials upon which I asked prices.

Q. Yes.

A. Or for which I asked prices.

Q. Yes.

A. Now, you have continually asked me what prices did the Erner Hopkins Company give me; I did not make the prices; the Erner & Hopkins Company made up those prices and quoted them to me.

Q. Yes.

A. And I have assumed all the way through that the Erner Hopkins Company were honorable merchants.

Q. Yes.

A. Now, if they have misrepresented prices or anything of that kind, why that is something for the Erner Hopkins Company, not me.

[fol. 4457] Q. When you are through with that speech, just will you please listen to the question, I am asking you what were the galvanizing specifications, if any, for the fetter drive screws whose prices were furnished to you by the Erner Hopkins Company?

A. And I believe I answered I did not specify any galvanizing specifications.

Q. Very well, did the Erner & Hopkins Company, in giving you the prices, specify anything in respect of the galvanizing?

A. Of course not, or on any other prices did they furnish any specifications. That is contained in all in one answer.

Q. That applies to all your material prices?

A. Yes, sir, the prices were given to me as prices. There were no specifications associated with each price as the price list came back to me.

Q. Well, of course the different specifications for a material, check on the prices of the article, do they not?

A. I should think so.

Q. And the higher the specifications the most costly the article?

A. Not necessarily so.

Q. That is true, as a rule, isn't it?

A. In most cases I should say so.

Q. Yes; don't you know that for the fetter drive screws furnished the Ohio Bell Telephone Company, by the Western Electric Company, the Western Electric Company maintains in the factory of the manufacturer, which happens to be the Hubbard Company, with which you are familiar, inspectors who inspect and make laboratory tests of [fol. 4458] the galvanizing?

A. Why, of course not, I don't know that, Mr. Burr; how could I; I have not been in the Hubbard factory and never have I seen any such inspectors in that factory.

Q. In regard to guy thimbles, tell the Commission what mechanical requirements you specified for the guy thimbles for which you requested prices from the Erner & Hopkins Company?

A. The only specification I made were the standard guy thimbles known to the trade, all of this material manufactured, by the way, by the Hubbard Company, as I understand it.

Q. And in the case of the prices furnished for those guy thimbles by the Erner & Hopkins Company, those specifications accompanied those prices?

A. No, sir.

Q. What are the galvanizing specifications for the guy thimbles used by the Ohio Bell Telephone Company?

A. I don't know, I have seen comparatively few of the guy thimbles used by the Ohio Bell Telephone Company.

Q. Well, you know the guy thimbles of the Ohio Bell Telephone Company are required to comply with more rigid mechanical requirements and galvanizing specifications than some other kind of guy thimbles; that would render the Ohio Bell Telephone Company's guy thimbles more costly, wouldn't it, than the same kind?

A. I don't know whether it would or not; I would have to see the specifications.

Q. Taking up the next item of strain plates; tell the Commission the thickness of the plates by which you requested prices from the Erner & Hopkins Company?

A. The standard strain plates sold for heavy work with [fol. 4459] the power companies.

Q. I am assuming that each time you are telling the Commission all of the specifications that you gave to the Erner & Hopkins Company in respect of any kind of this material?

A. Yes, sir.

Q. What was the thickness of the strain plates for which the Erner & Hopkins Company furnished you prices?

A. It was not designated on the price list.

Q. As a matter of fact, wasn't it No. 14 B. W. G. guage, or .083——

A. I have already answered the question that it was not specified.

Q. Do you know what the thickness of the plates used by the Ohio Bell Telephone Company are?

A. No, sir.

Q. You don't know that it is .109 as against .083?

A. No, sir.

Q. What was the galvanizing specification for the strain plates for which you requested prices from the Erner & Hopkins Company?

A. Whose galvanizing specifications?

Mr. Burr: Will you read the question to him, please?

(Previous question read.)

A. In making my memorandum I wrote no galvanizing specifications.

Q. You mean you furnished no specifications to the Erner & Hopkins Company?

A. As to galvanizing, no.

Q. Well, what were the galvanizing specifications, if any, which the Erner & Hopkins Company furnished you in

connection with the strain plate prices—that which that company furnished you on your request?

A. The price that I asked for was heavy strain plates as sold in the trade for use in heavy work power com-
[fol. 4460] panies.

Q. Did the Erner & Hopkins Company, in giving you the prices, accompany those prices with any specifications?

A. I think I have answered that in the negative about four times, now, Mr. Burr.

Mr. Turner: Let me ask, does the inventory of the Ohio Bell Telephone Company show these specifications or any of them?

Mr. Williams: The price in the material catalog——

Mr. Turner: No, I am asking if the inventory introduced here does.

Mr. Williams: No, it does not, but collateral information furnished Mr. Allensworth does.

Commissioner Huffman: Are you requesting what the record shows?

Mr. Turner: I am requesting what the record shows and trying to find out what the record shows.

Mr. Burr: Of course, both sides furnished the other from time to time with details and data and my understanding is that Mr. Allensworth has been furnished specifications for the——

Mr. Williams: For anything he asked.

Mr. Burr: For any of the materials in respect of which he asked us.

Mr. Turner: Well, I don't want that to go in as testimony. You better ask Mr. Allensworth.

The Witness: The only information furnished me as to materials was the price list of the Western Electric Com-
[fol. 4461] pany, and that price list of the Western Electric Company has on it for different pieces of hardware, weights of material and dimensions.

Mr. Burr: Read it, will you, please?

(Previous answer read.)

Commissioner Huffman: Does this catalog show the various weights and specifications of material used by the Ohio Bell Telephone Company?

The Witness: It shows the weights and dimensions of hardware items sold by the Western Electric Company.

Commissioner Huffman: For telephone purposes or heavy work for power purpose or how are they specified?

The Witness: Of course, this catalog that was shown to me is a telephone material catalog. My understanding is that those same products are sold through the jobbing branch of the Western Electric Company, the Grabar Company, to power companies, and to other telephone companies. Articles of hardware for the most part come from the same factory as do the pieces of hardware sold by the Erner & Hopkins men.

Mr. Turner: The question, if the Commission please, is whether or not that catalog shows specifications for galvanizing and things like that.

The Witness: Not that I remember of having seen in the catalog. There is no detailed specifications of galvanizing. If it is there, it has escaped my memory.

Q. Does it contain specifications numbers—that catalog?

A. Oh, I believe so. Those are factory specifications [fol. 4462] and I haven't those in my possession.

Q. And you did not ask for them, did you?

A. Not for any galvanizing specification, no, sir.

Q. Did you ask them in respect of any of the materials of the company?

A. Yes, sir.

Q. For what item?

A. Wire and cable.

Q. And you got them, didn't you?

A. Yes, sir.

Commissioner Huffman: Those specifications would not be shown in that book, though, so as to enable you to know which applied to the Ohio Bell property?

The Witness: No, sir. Further then that the Commission should also bear in mind that all of the material items in the Ohio Bell Telephone Company's property are not purchased from the Western Electric Company.

Q. Well, how much of it as of June 30, 1925, had not been taken from the Western Electric Company?

A. I don't know; I have not that information before me.

Q. Weren't you, in arriving at your so-called reproduction cost in this case, attempting to find the reproduction cost of the property actually found in the Ohio Bell Telephone Company's inventory?

A. Yes, sir.

Q. In respect of metal pole steps, what was the material of the metal pole steps for which you requested prices of Erner & Hopkins Company?

A. I didn't get that; will you please read it?

(Previous question read.)

A. Steel.

Q. What was that material of the metal pole steps for which you were furnished prices by the Erner & Hopkins [fol. 4463] Company?

A. So far as I know it was galvanized.

Chairman Klinger: Is the question metal pole steps?

Mr. Burr: Yes.

Chairman Klinger: You mean those that drive in the poles?

Mr. Turner: Calling his attention to that (handing paper to witness).

The Witness (after examination): The designation of that in the trade, of course, is iron, of course, I said steel but designated as iron and galvanized steps, I had understood in my last answer.

Q. That is perfectly all right, but they were iron, weren't they?

A. The request went forward in its usual form, "Iron pole steps."

Q. And what were the mechanical requirements, do you know what were the mechanical requirements of the metal pole steps for which the Erner & Hopkins Company furnished you the prices?

A. All I know is that I asked the prices for the heaviest pole steps stocked by the company.

Q. Are you sure you did that?

A. Yes, sir.

Q. What are the mechanical requirements of the metal pole steps used by the Ohio Bell Telephone Company?

A. I don't know. I had before me at the time the dimensions of the pole step listed by the Western Electric Company.

Q. Isn't it true that the mechanical requirements in respect of pole steps, vary?

A. Well, what do you mean by the mechanical requirements, now, are you talking about specifications or are you [fol. 4464] talking about the required test under strain?

Q. Taking the item of bending strain, does not that differ in different kinds of pole steps?

A. The bending strain?

Q. Yes.

A. The amount of strain it would withstand under a bending stress, would vary with the material, and with the dimensions of the material.

Q. Did you specify anything along that line for the metal pole steps, in respect of which you were asking prices of the Erner & Hopkins Company?

A. I did not.

Q. Do you know what the specifications in that respect are for the metal pole steps used by the Ohio Bell Telephone Company?

A. No, sir, I do not need to know what those specifications are for the steps, sold by the Western Electric Company.

Q. You don't know if those used by the Ohio Bell Company must be capable of being bent cold around a 5/8 inch mandrel through a 75 degree angle without fracture, do you?

A. No, I do not.

Q. What were the galvanizing specifications in respect of the metal pole steps for which you requested prices from the Erner & Hopkins Company?

A. I made no galvanizing specifications.

Q. And none accompanied the costs which they gave you?

A. Of course not, and I repeat that I was asking for a price on standard hardware material as used by all public utilities.

Q. Do you consider that on the average the Ohio Bell [fol. 4465] Telephone Company uses the "standard", what you call the "standard grade" of miscellaneous material, or something higher than the standard grade?

A. My understanding is that in the present day products of the Ohio Bell Telephone Company, they buy the Western Electric products.

Q. Yes.

A. And the Western Electric Company urged that their product is superior to some others.

Q. Yes; and it did——

A. And I don't know that it is in all respects; it may be inferior in some respects.

Q. Do you know of any respects in which it is inferior?

A. Yes, sir.

Q. Tell us one.

A. Some of the cables manufactured by the Western Electric Company are inferior in comparison with electrical requirements by the cables used by independent telephone companies.

Q. Will you elaborate that a little further for us, and tell us what you mean by that?

A. The standard of cable requirements of the Bell Companies and the standard manufactured by the Western Electric Company in electrical requirements, is less than the standard cables used generally by independent telephone companies in one particular respect, the capacity in the cable furnished to the Bell Telephone Companies by the Western Electric Company is higher.

Q. You say the capacities?

A. The capacity is higher, I am referring to electrostatic capacity.

Q. Oh, in what other respects—is that the only respect in which the one is superior to the other?

A. The one what—you are talking about cables now?

[fol. 4466] Q. Yes.

A. That would be a very important respect.

Q. Well, tell us another one.

A. I have no other details to discuss at this time.

Q. Will you tell us what kind of cables and what size cable and the cables with what sort of wrap you are referring to in making this comparison between Western Electric cable and other cable as to capacity?

A. I am comparing 100 pair telephone cable manufactured by the Western Electric Company, with 100 pair cable manufactured by some other cable manufacturing concern.

Q. What sort of wrap is there on the wire of the two cables?

A. The standard practice of the Western Electric Company would be to wrap with a single tape. The independent manufacturer would wrap with two tapes.

Q. What are the comparative capacities for these 100 pair cables?

A. You can buy them in any capacity from any factory.

Q. Give us the comparative capacities of these two 100 pair cables, will you, please?

A. You are asking——

Mr. Turner: Mr. Burr, electrostatic capacity or the wire capacity?

Q. Electrostatic, that is what he is talking about.

A. You are asking me now to make an impossible comparison—a comparison between two cables. If one cable is one thing, that is it, and if another cable is another thing, that is it. One hundred pair cable manufactured by the Western Electric Company, the electrostatic capacity may [fol. 4467] vary over a wide range, depending upon the capacity for which it was made. That is true, also, of the cable manufactured by an independent cable manufacturer.

Q. You have just said the two things are not comparable, haven't you?

A. I have said that in the form that your question was put——

Q. Well, compare them in any other way you want.

A. Well, 100 pair cable manufactured by an independent telephone cable factory for use in an independent telephone plant would be a higher grade cable and a more costly cable to manufacture than would the average 100 pair cable manufactured by the Western Electric Company for use in the average Bell property.

Q. Coming to the item of washers, tell the Commission the thickness of each and the sizes of 3½ inch, 3 inch and 2¼ inch washers for which you requested prices from the Erner & Hopkins Company.

A. My request was for heavy washers and that should have been understood; I mean the heaviest washers stocked by that company.

Q. What are the thickness of each of the sizes of 3½ inch, 3 inch and 2¼ inch washers used by the Ohio Bell Telephone Company?

A. I imagine the Ohio Bell Telephone Company has got everything that is ever made in that size of washer, in its property.

Q. Does its price list show ⅞ inch and ¾ inch and ¾ inch washers or the 3½ inch, 3 inch and 2¼ inch covered by my previous question?

Mr. Turner: Objection. That does not contradict any- [fol. 4468] thing that he has said. You were asking about thickness of these washers a while ago.

Mr. Burr: Well, that is what we are talking about still.

Mr. Turner: You have not so asked it, or at least I did not catch it, pardon me.

Commissioner Maullar: Read the question.

(Previous question read as follows: "Does its price list show 7/8 inch and 3/4 inch or 3½ inch, 3 inch and 2¼ inch covered by my previous question.")

Mr. Burr: Now, wait a minute, I will ask it again because you have omitted one of the thicknesses.

Q. What are the thickness of each of the sizes of 3½ inch, 3 inch and 2¼ inch washer used by the Ohio Bell Telephone Company, if you know?

A. I don't know.

Q. Very well, you don't know then that for the 3½ inch width the thickness is 7/8 of an inch and for the 3 inch it is 3/4 of an inch——

Mr. Turner: Objection. The witness has said he don't know and before putting testimony of that sort in the record it should show that it is material here. Their own evidence should show it.

Mr. Burr: Well, it is very material.

Mr. Turner: Their own evidence should show it.

Mr. Burr: It appears so.

Q. Taking up the next item of machine bolts, tell the Commission what weights per hundred bolts you specified on the 5/8 inch by 10 inch, 5/8 inch by 12 inch, 5/8 inch by 14 [fol. 4469] inches and 5/8 inch by 16 inch bolts, for which you requested the prices from the Erner Hopkins Company?

A. My request was for a price on galvanized bolts of that size and dimensions.

Q. What were the weights per hundred bolts in each of those sizes of bolts for which you were furnished the price *for* the Erner & Hopkins Company?

A. I don't know, that is already in the data I gave to the Erner & Hopkins Company.

Q. You don't know that yourself?

Mr. Turner: Does counsel claim that all of the washers in the Bell Telephone Company are of a certain thickness; that all they have got there are of a certain thickness and made by the Western Electric Company?

Mr. Burr: Well, we have several thicknesses but we claim that the great majority of them are of a thickness specified in the previous questions.

Mr. Turner: There is no evidence on that here at this time.

Mr. Burr: The inventory shows it.

Mr. Turner: The inventory don't show thickness.

Mr. Williams: It shows where we got it.

Mr. Turner: Well, we know, as a matter of history, that the Bell Telephone Company is composed of a lot of telephone companies that did not buy their material from the Western Electric Company. It is a matter of notoriety. What was furnished Mr. Allensworth is not here. We are talking about what is in this case.

[fol. 4470] Q. Mr. Allensworth, don't you know that $75,000,000 worth of new property has gone into the Ohio Bell Telephone Company in the state of Ohio in the last five years?

Mr. Turner: That has nothing to do with the 1925.

Mr. Burr: Oh, yes, it has a great deal to do with washers.

The Witness: How many washers were in that seventy-five million?

Mr. Turner: We want to confine this to 6/30/25 as they call it.

Mr. Burr: Very well.

Mr. Turner: We get all confused about trying everything from 1914 to 1928.

Q. Let us go back to the question that is asked, what were the weights of each of these sizes of bolts for which prices were furnished to you by the Erner & Hopkins Company?

A. I have answered that by saying that the weights appear in the detail catalogs of the Erner & Hopkins Company. I haven't that. I didn't copy that off.

Q. And you don't know then that the weights per hundred bolts were 98, 114, 130 and 146 pounds respectively, covering the classes of bolts referred to in my previous questions?

A. What weights?

Q. The weights per hundred bolts?

A. Whose weights?

Q. Erner & Hopkins Company?

A. No, sir, I do not know that.

Q. Do you know that the weights per hundred bolts for each of those sizes of bolts used by the Ohio Bell Telephone [fol. 4471] Company are 102 pounds, 118 pounds, 134 pounds and 150 pounds respectively?

A. No, sir.

Q. What were the galvanizing specifications for the machine bolts for which you requested prices from the Erner & Hopkins Company?

A. I furnished no galvanizing specifications. I asked for prices on a standard product.

Q. Coming now to the item of cross arm braces, tell the Commission what were the metal requirements as to the percentage of carbon content of the cross arm braces for which you requested prices from the Erner & Hopkins Company?

A. There were none.

Q. What are the metal requirements as to the percentage of carbon content for cross arm brace used by the Ohio Bell Company?

A. I have no knowledge.

Q. You don't know that it is from .35 to .50 of 1 per cent do you?

. . . . . .

[fol. 4472] The Witness: I don't know; all of those specifications, if Your Honor please, are the factory's specifications of the Western Electric Company and outside of cable specifications I have had no such specifications before me, and as to the detail specifications of the Western Electric Company, as regarding the hardware, I haven't seen any of them.

Q. Did you ask the company's engineers for any specifications covering the miscellaneous material about which we have been talking this afternoon?

A. Hardware you are referring to?

Q. Yes, miscellaneous hardware?

A. No.

. . . . . .

[fol. 4473] Q. Calling your attention to your overhead costs in this case which in percentage is 15 per cent., can you tell the Commission what your comparable overhead cost percentage was in the Cuyahoga valuation?

A. I do not remember.

Q. To refresh your recollection let me ask you whether or not it was not 19.13 per cent.?

Mr. Turner: It is a matter of record, isn't it? Show the witness the record.

Chairman Klinger: He can ask the witness if that will bring his memory back.

The Witness: I do not remember.

[fol. 4474] Q. And the property involved in that valuation amounted to about six million dollars, didn't it?

Chairman Klinger: That is in the record, I think, a couple of times—six one-quarter million, I believe.

Q. What is the construction period which you have assumed in this case for the reproduction of the property of the Ohio Bell Company?

A. Five years.

Q. Will you divide up that construction period by quarters, or by any other method you please, and tell the Commission at what rate per quarter the different classes of plant would be constructed under your plan?

A. I, of course, haven't such figures before me, but it may be sufficient for the answer to say that the rate of progress of construction would follow very closely the rate set up by your own engineers.

Q. But you have not any other plant program of your own?

A. I have not that detail before me, no, sir.

Q. Well, have you it anywhere?

A. I think so, unless it has become lost in a lot of other minutia that is dropped at the end of a lot of these computations.

Q. We would like to have you look for it and tell us whether or not you have it and let us see it, if you have it.

A. Yes, sir.

Q. Taking up one item of the overhead costs, are the items of employees' liability insurance and public liability insurance included in any one of the subdivisions of your overhead costs?

A. In the general expenses.

Q. They are in the general expense?

[fol. 4475] A. Yes, sir, as I remember the detail.

Mr. Turner: You are talking now about this five year construction period, are you, Mr. Burr?

Mr. Burr: I am talking about——

Mr. Turner: Five year?

Mr. Burr (continuing): His total over all allowed for overhead.

Mr. Turner: I thought it was the five year construction period that you were talking about.

Mr. Burr: Well, I asked him a while ago whether his overheads were not based on a five year construction?

Mr. Turner: Now, you are asking away from the five-year period, the construction period?

Mr. Burr: Not necessarily, I am now asking him about some of the particular items going to make up his total general overhead costs.

Q. What was your total allowance for general expense in this case?

A. The amount is shown on what has been marked revised "Allensworth Exhibit No. 6" as $12,948,204.90.

Q. What percentage is that of the physical property?

A. Of approximately 15 per cent.

Q. Very well now, that is your allowance for general overheads in total, isn't it?

A. Yes, sir.

Q. What part of the percentage of that total represents your general expense?

A. Well, of the approximately 15 per cent., 2 per cent. would be general expense.

Q. And what part of the 2 per cent. represents employees' liability insurance and public liability insurance?

[fol. 4476] A. I have not a separation of that amount.

Q. Well, what do you say it would be, about what part of the 2 per cent. is represented by employees' liability insurance and what about public?

Chairman Klinger: Let's see, he says he has no separation of it.

Q. Have you made any separation of it?

A. I have not made any separation of it.

Q. Can you?

A. I could.

Q. Well, can you tell the Commission either how much in dollars or per cent represents employees' liability insurance or public liability insurance?

A. As I say, I made no separation of that amount.

Q. Can you tell the Commission now, Mr. Allensworth—whether you made any separation of it or not—can you tell the Commission now what part of the 2 per cent represents employees' liability insurance and public liability insurance?

A. I cannot tell the Commission now because I have not *now* a separation of it.

Q. Very well. Look at page 313 of the supporting data in the volume of detail costs prepared in connection with your Cuyahoga valuation and tell the Commission what percentage of direct labor you used there for employees' liability insurance.

A. I have no such record before me.

(Here paper is presented by counsel.)

The page handed me, if that is the amount I used, says 3.1 per cent. of direct labor for employees' liability insurance.

[fol. 4477] Q. Do you deny that you used that amount in that item for that?

A. I do not deny it, but I submit that there is no connection between that percentage and the percentage I used in this case.

Q. I did not ask you that. I asked you whether you denied that you used 3.1 per cent. in that Cuyahoga valuation for employees' liability insurance, that is to say 3.1 per cent. of your direct labor in that case?

A. I am not denying it, neither am I admitting it, until I check back and determine for myself the manner in which it may have been used.

Q. You will check back, won't you, and tell us?

A. If you wish me to I may.

Mr. Turner: Of course, the Commission understands the situation was entirely different in 1925 as to workmen's compensation as it was in 1914.

Mr. Burr: Well, that is for argument.

Mr. Turner: Well now, it is for introduction of evidence, and that is what I say, that such evidence as you are asking for is wholly incompetent. It neither tests the witness' memory or tests his ability or anything else,—comparisons that have no relation one to the other because conditions are altogether different.

Chairman Klinger: However, don't you think it is competent to show how he built up his overheads?

Mr. Turner: Oh, sure, he admits that it is in the overhead but here this question is the question of percentage for the employees' compensation.

[fol. 4478] Chairman Klinger: Well, it is a question of how much of it goes in that.

Mr. Turner: The rates for the different years are different.

Chairman Klinger: Oh, yes, that is true, and I recognize that.

Q. Turn, for example to page A-9 in that same volume covering 30 foot class C cedar pole and tell the Commission if you don't include in that Cuyahoga unit cost 6.1 per cent. of your total direct labor including cartage to point of use and yard charges for employees' liability insurance and public liability insurance?

Mr. Turner: Objection on the ground that that does not test the witness' testimony in any way.

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[fol. 4479] (Previous question read.)

Mr. Turner: Where is the objection; objection overruled; exception.

Chairman Klinger: Overruled and exception.

Mr. Williams: Does that say including the yard charges?

Chairman Klinger: Yes, that included yard charges, at least that was in the question.

The Witness: According to the arithmetic worked out on the page that is now shown me that would be correct, but I doubt the correctness of the interpretation of the engineer [fol. 4480] that is making the presentation to me.

Q. Well, will you examine into that matter for us and tell us if we are wrong in that respect?

A. When I may have the opportunity to do so, I shall be pleased to.

Q. From page B-14 of that same Exhibit of your Cuyahoga unit costs, tell the Commission what percentage of direct labor you there used for public liability insurance?

A. The amount appearing on the page that is shown me is 3 per cent.

Q. From page 1 of your Exhibit 4 in this case, tell the Commission the amount you show there for total direct labor costs for outside plant.

A. No such amount appears in my Exhibit 4—I beg your pardon—pardon me a moment.

Q. Isn't it $11,872,541.00?

A. Permit me to correct that. The amount shown on page 1 of what has been marked Allensworth Exhibit No. 4, is $11,872,541.00.

Q. And 6.1 per cent of that amount equals $724,225, doesn't it?

A. It may be; I have not made the computation.

Q. Where have you allowed any such amount in this case for employees' liability insurance and public liability insurance?

Mr. Turner: Objection.

Chairman Klinger: Overruled. He may answer if he got it.

Mr. Turner: Do you catch that, Your Honor, asking where he has allowed an amount equal to the amount in 1914?

Mr. Burr: Yes.

Mr. Turner: Now, I say that has got nothing to do with [fol. 4481] the case, what the rates were in 1925, a five year period there.

Chairman Klinger: That goes as to how he got up his structure. That is all the purpose of it.

The Witness: The allowance that I have made is comprised in the amount shown in what has been marked "Revised Allensworth's Exhibit No. 6", opposite the title "Construction, Overhead Charges, Total $12,948,204.90."

Q. Very well, what part of the $12,948,000.00 represents your allowance for employees' liability insurance and public liability insurance?

A. That comprises the allowance that I have made for general expense and in the general expense is my allowance for these charges.

Q. That doesn't tell me anything. What I want to know is how much in dollars you have allowed in your general overhead costs for employees' liability insurance and public liability insurance?

A. Mr. Burr, I think you have asked me that question three times.

Q. Yes.

A. And you may ask it three more times; you may ask me thirty times; you may ask me three hundred times this afternoon and the answers will all be the same.

Q. That you cannot give it?

A. That I have not made a separation and I have not such figures before me.

Q. In your Cuyahoga valuation, didn't you compute your public and private liability insurance on your total direct labor cost plus plant supervision, tool and incidental expense?

A. I don't remember whether I did or not.

Q. Well, will you find out and tell us?

[fol. 4482] A. I shall attempt to.

Q. In your present case, don't your item of plant supervision, tool expense and incidental expense amount to 21 per cent of your direct labor cost?

A. Read the question please.

(Previous question read.)

A. I don't know whether I had that summarized in my code or not, but the percentage varies with various places, with labor costs. (After an examination) I have not those summarized percentages on the total basis that you asked for.

Q. Very well, in order to save time will you please investigate and tell the Commission at a later date whether in the present case your items of plant supervision, pole expense and incidental expense do not amount to 21 per cent of your direct labor cost?

Chairman Klinger: That is as of June 1925?

Q. Yes, that is in the present values; will you do that please?

A. Yes.

Q. Now then, 21 per cent of $724,225.00 is $152,087.00. Now, that amount plus $724,225.00 heretofore referred to makes a total of $876,312.00 for public and private liability insurance allowed by you on the basis of your Cuyahoga valuation. Take it another way, what were the prevailing rates for workmen's compensation or private liability insurance and public liability insurance for construction of telephone properties in Ohio as of June 30, 1925, if you know?

A. I have that information in my office; I have not got it with me.

[fol. 4483] Q. Hasn't the rate for Workmen's Compensation or private liability insurance averaged about $3.30 per

hundred dollars of payroll construction labor or 3.3 per cent?

A. Whatever the Workmen's Compensation of the Industrial Commission is charging.

Q. Well, if somebody stopped you on the street and asked you, couldn't you give them the per cent on it?

A. No, sir, I could not, I would say it was between three and four per cent as a general proposition.

Q. Well, assume it was 3.3 per cent. Then 3.3 per cent of $11,872,541, which is your total direct labor cost would amount to $391,793.85, wouldn't it?

A. It may be; it seems as though you are making the computation and you testify.

Q. Well, will you make that and see if I am wrong?

A. You will have to give me your figures and a piece of paper.

(Previous question read.)

A. (After a computation) 3.3 per cent of the $11,872,-541.00 is $391,793.85.

Q. Yes. Don't the rates for public liability insurance for telephone work as of June 30, 1925, in Ohio average about $2.50 per hundred dollars of payroll construction labor. I am talking about public liability insurance now.

A. I don't think so.

Q. What makes you say that?

A. I had some quotations as low as $1.65.

Q. Yes, you have some higher than $1.65 and higher than [fol. 4484] $2.50 per hundred, haven't you?

A. Perhaps so.

Q. Well, will you find out and tell the Commission what was the average rate for public liability insurance per hundred dollars in Ohio, as of 6/30/25?

A. I shall attempt to do so.

Q. Well, assuming that it was $2.50 per hundred; that 2½ per cent of $11,872.541.00 would equal what?

A. From a hurried calculation, $196,893.52.

Q. Isn't that $296,813.53?

A. What was the amount please?

Q. $296,813.53?

A. Eight hundred what?

Q. $813.00?

A. That amount is correct, yes, sir.

Commissioner Maullar: He says that is correct.

Q. If there be added to your construction labor costs in this case, public and private liability insurance at the rates effective as of 6/30/25, mentioned in the previous questions, by how much would you direct construction figures in the present case be increased?

A. None.

Q. What would become of the $391,793.85 and of the $296,913.53 covered by your previous answers?

A. I don't understand what the amount $291,793.85 and $296,813.53 may be; I don't understand yet what that is.

Q. The first of those figures is 3.3 per cent of your $11,872,541.00 of direct labor costs in this case and the second amount is 2½ per cent of that figure.

Mr. Turner: All for liability, one for public liability.

Mr. Burr: Yes.

[fol. 4485] Mr. Turner: And the other personal.

Mr. Burr: Yes. Now, the total of those is $688,607.38, isn't it?

The Witness: I think so.

Q. If there be added 21 per cent of that $688,607.38, following your Cuyahoga valuation, where you computed private and public liability insurance in your direct labor cost, plus plant supervision, tool expense and incidental expense, it would amount to $144,607.00 additional; will you make that computation for us?

A. I may have did that, but I did not do that in this case.

Q. But I am asking you to do what you did in the Cuyahoga case?

A. It may produce the amount.

Q. Where have you included any property insurance in your overhead costs in this case, that is to say insurance on property during construction?

A. I made no specific allowance for property insurance and the two per cent general expense is intended to provide for all those items.

Q. In your Cuyahoga valuation, didn't you make specific allowance in your construction overhead costs for property insurance?

A. I may have; I don't remember whether I did or not.

Q. Isn't the amount of construction labor extended upon insurable property in this case about $13,000,000.00?

A. Is that a question.

Q. Yes.

A. Read the question please.

(Previous question read.)

A. I don't know.

Q. Well, how would you get at the amount of insurable [fol. 4486] property represented by your reproduction cost new in this case.

A. What are you going to insure; what are you talking about?

Q. Telephone exchanges.

A. I mean talking about fire insurance or something else, burglary insurance, tornado insurance—what do you mean by insurance?

Q. All sorts of property insurance; you know what I mean perfectly well?

A. In the first place, you could not insure all the property that you have constructed at any one time.

Q. Wouldn't you under your plan of reproduction of this property during your five year construction period,—wouldn't you have carried some insurance on the property as it was built?

A. It is reasonable to assume so, yes, sir.

Q. Yes, sir; did you make any allowance for that kind of insurance in your construction period?

A. The estimated amount for all insurance is in the general expense in the two per cent allowance that I have made.

Q. Isn't it the custom of the insurance companies to compute property insurance on the basis of the construction payroll labor?

A. The property insurance?

Q. Yes, absolutely.

A. That may be the custom.

Q. Don't you know about that?

A. I am not so very familiar with the details.

Q. Then you don't know that the cost of that insurance would average about 75 cents per hundred dollars of pay-[fol. 4487] roll?

A. I haven't that knowledge, no, sir.

Q. Well, if it did 75 cents per hundred dollars of payroll, applied to $13,000,000.00 of payroll labor would amount almost to $100,000.00, wouldn't it?

A. It would be in the arithmetic as far as arithmetic is concerned.

Q. Now, then, adding $100,000.00 of property insurance to the $833,214.93 of public and private liability insurance heretofore referred to, would give $933,214.93 if my figures are correct. And that, as against the $46,344,000.00 for outside plant in this case equals about 2 per cent. Where have you made any such allowance for those items of insurance in this case?

A. It has been provided for, all insurance in my overhead allowance.

Q. Is that your only answer?

A. Yes, sir.

Q. That is all you can tell us about the amount of insurance represented by your overheads.

Chairman Klinger: Now, just to understand, that is a part of this eleven million, isn't it?

The Witness: Twelve million.

Chairman Klinger: Twelve million, is it?

The Witness: Yes, sir.

Q. You can't tell us what part of that twelve million dollars is represented by this insurance?

A. Let me have the record please.

(After an examination.)

If you will refer please to Page 2835 of the record, beginning at the bottom of that page, you will note the following statement made by myself in my explanation of [fol. 4488] construction overhead charges, quotation: "It will be noted that in the column headed 'Allensworth's reproduction cost', that there is no detail or breaking up of the construction overhead charges in two such elemental basis charges"—that is referring to the detail in which the company says it has overhead charges—"However, for the information of the Commission, my overhead charges amount to 15 per cent. of the reproduction cost of the property. That 15 per cent. is made up as follows:

"Engineering and superintendent, 5 per cent.

"General expense, 2 per cent.

"Interest during construction, 6 per cent.

"Taxes during construction, 1 per cent.

"Omissions, 1 per cent.

"I wish to explain further that in my use of construction overhead charges, and in my interpretation of overhead charges as an engineer, I have expressed these as a sum total of the total amount of overhead charges. As I have

before told you, these charges amount to 15 per cent. of the reproduction cost, but I wish to explain very specifically that by making this explanation as to the individual charges, I as an engineer do not contend that engineering and superintendent alone and by itself with nothing else considered is a five per cent. charge; I do not contend and I am not submitting the statement here in this record that general expense of and by itself is a two per cent. charge. I do not contend and I do not submit here in this discussion that [fol. 4489] interest during construction and of itself considered is a six per cent. charge." And so forth and so on.

Mr. Burr: I move to strike that out. It is already in the record. What is the use of writing it in there again.

Chairman Klinger: He gives that as an answer.

Mr. Turner: An answer to your question. Of course, you don't want it.

Q. Is that the only answer you can make?

A. That is in my former answer. I have made the allowance in my fifteen per cent. overhead for general expense.

Q. Yes.

A. And in the general expense is comprised all proper and insurance charges.

Q. What amount is included in general expense for proper insurance charges?

A. A sufficient amount to carry the general insurance.

Q. What is a sufficient amount?

A. The amount of insurance that would be required to carry the payrolls of the company through construction periods as such insurance would be coming.

Q. What amount of insurance would be required to carry the company's payrolls through the construction period?

A. In dollars, I have not got that specific statement for reasons that I have just read from my former testimony.

Q. Will you undertake to state the amount of that insurance in dollars and contained in your two per cent. allowance for general expense?

[fol. 4490] A. I think this is about the third time that I told you I had no specific amount.

Q. Well, I will ask you if you will attempt to tell us at some future time what amount that you have allowed?

A. You should address such request to the Attorney General.

Q. Well, I am asking you a question, Mr. Allensworth, will you read the question, please.

(Previous question read as follows:) "Will you undertake to state the amount of that insurance in dollars and contained in your two per cent. allowance for general expense"?

The Witness: Now, Mr. Burr, may I make a statement off of the record for your benefit?

Mr. Calland: Want it in the record; put it in and afterwards——

Mr. Burr: Say anything you like.

The Witness: Just for your information.

Commissioner Huffman: That is off.

* * * * * * *

Q. In your allowance of 15.1 per cent. for general overheads in the Tri-State case and of 19.12 per cent. in the Cuyahoga case, which we have heretofore compared with your allowance of 15 per cent. in this case, is there any amount in addition for preliminary expenses or for those engineering investigations, legal and financial expenses necessarily experienced in the reproduction of a telephone property prior to the construction period?

A. The general expense as ordinarily conceived of course is in my overhead allowance. But I don't understand what [fol. 4491] you mean, Mr. Burr, by preliminary expenses. I wish you would define that a little more.

Q. Well, I will ask you this and then let you tell us. In addition to your allowance of 15.1 per cent. for general overheads in the Tri-State case, don't you as a matter of fact include as preliminary expense for preliminary investigation in that case, the sum of $212,150.00. I refer you to Page 120 of the record in that case?

A. I made that inclusion at something like such amount. Of course, I can't at this late date be sure of the exact figure. That was not a part of my overhead allowance.

Q. That was in addition to the 15.1 per cent.

A. The page that is shown me reads $212,150.00.

Mr. Turner: What page is that?

The Witness: That is Page 120 of the transcript of the Tri-State case—my testimony before the Minnesota & Warehouse Commission and is marked Volume 2.

Q. Referring to Page 129 of that same volume, didn't you include for promoter's remuneration in addition to that 15.1 per cent. for general overheads the sum of $150,000.00?

A. That was included. As I remember it, Mr. Burr, that $150,000.00 amount was not my determination.

Q. Didn't you testify to it in that case?

A. Yes, sir.

Q. And for the item of financing?

A. Pardon me——

Mr. Turner: Just let him examine that, Mr. Burr.

The Witness: Pardon me just a minute. In answer to a question, counsel in that case on the assumption that this [fol. 4492] is a true record of my testimony, the question was asked, "Have you made a computation of promoter's remuneration?" The answer was, "I have, in determining reproduction cost of the property of the Tri-State Telephone & Telegraph Company as of December 31, 1918, promoter's remuneration was determined to be $150,000.00. "Question: Have you found any record on the books of account of the Tri-State Company or any of its predecessors as to the actual payment of promoter's fees?" "Answer: I have not."

Now, if I may be permitted to state, I think that that whole matter of promoter's remuneration was a matter that came originally from the then President of the Tri-State Company.

Q. Yes.

A. And was used in my testimony in that way.

Q. Yes. Now, what about the item of financing, in addition to the other two items which you have just given, what was your amount for that as shown on page 127 of the record in that case?

A. What was the question?

(Previous question read.)

A. The amount shown on here as I read it is $447,641.00.

Q. Yes. Now, the total of those three items if my arithmetic is correct, is $809,791.00. If my arithmetic is correct, don't that amount to four one-half per cent. of the entire balance of your appraisal in that case?

A. It may have.

Q. Well, will you figure that for us and tell us?

A. Yes, sir.

[fol. 4493] Q. Very well, now then, in addition to the 19.12 per cent. for general overheads in the Cuyahoga case, didn't you as a matter of fact include as preliminary expense for preliminary engineering and investigation, in that case, the sum of $50,000.00?

(Previous question read.)

Chairman Klinger: Can you answer that?

Q. Or to put it another way and to shorten the inquiry a little bit, don't you include in that case in addition to the 19.12 per cent. for general overheads, the sum of $442,744.32, representing preliminary costs?

Mr. Turner: Show it to him. Is that the report itself?

Mr. Williams: Yes, that is a copy of that on file with the Commission.

Mr. Turner: That is the company's copy?

Mr. Williams: This is our copy, but there is a copy.

The Witness: Will you please read that question, Mr. Reporter?

(Previous question read.)

The Witness: The amount $442,744.32 appears on Page 7 of what appears to be volume 1 of the appraisal I made up in that case.

Q. If there is any doubt in your mind as to whether or not you made such an allowance, will you check that and tell the Commission?

A. I will look up my notes on that, what I have.

[fol. 4494] Q. Very well. Now, that amount was more than six per cent. of the entire balance of your appraisal in that case, wasn't it?

A. I don't know; it may have been.

Q. Will you find that out and tell us at the same time?

A. Yes, sir.

Q. How much have you included in your appraisal figures in the present case for preliminary expense?

A. Other than that in the general expense, nothing.

Q. Is there any allowance for preliminary expenses in your general expense in this case?

A. As the allowance is made in the Tri-State case, and in the former Cuyahoga case, no, sir, there is no allowance in this.

Q. Well now then, have you made any allowance in this case for those preliminary costs?

Chairman Klinger: You mean in the Bell case?

Mr. Burr: Yes, in the present case.

The Witness: The general expense is intended to include the general—that is the general overhead, the construction overhead is included.

Chairman Klinger: You mean to include the preliminary organization?

The Witness: Is intended to include such items as incorporation and legal expenses and such as that.

Q. Well now then, you didn't consider those preliminary costs as part of your general overhead costs in the Cuyahoga case nor the Tri-State case, did you?

A. No, sir.

Q. But you have done it here?

A. How is that?

[fol. 4495] Q. But you have done it here?

A. No, sir, I have left them out in this case.

Q. Oh, you have left them out in this case?

A. I wish to repeat that the items specified in what you have read into the record as preliminary expenses in both the Cuyahoga case as you have denominated it, and the Tri-State case—there is no allowance for those specific items in my reproduction cost of the Ohio Bell Telephone property.

Q. Will you take your Exhibit Number 5 which shows for "paving cut for original installation"—now, Mr. Reporter that is quoted—"Paving cut for original installation", "1,435,000."——

Mr. Turner: There has been a correction on that, hasn't there?

Q. (Continuing) $962.22. And for the benefit of the record, differentiate between the terms "paving cut for original installation", or to shorten "original paving", on the one hand and the time "present saving" on the other, if you please?

A. I don't understand the question.

Chairman Klinger: Read the question.

Mr. Calland: Don't you want to correct that?

Mr. Burr: The record may show it has been corrected to——

Mr. Calland: $1,495,393.00.

Q. The expression has been used here Mr. Allensworth, from time to time, "Original paving" and "present pav-
[fol. 4496] ing", and I am just asking you if you won't tell the Commission the difference between the two as you understand it?

A. Just where did I make any reference?

Q. I am not sure that you did, but it is all through the record. There are two kinds of paving; there are two classes of paving, paving actually cut——

A. No, sir, there is not two kinds of paving involved here.

Q. Very well.

A. The reproduction cost shown as the paving cut for original installation—as the amounts of paving were reported to me by the company.

Q. What do you mean by paving cut for original installation?

A. Paving cut at the time the conduit was installed.

Q. And then you have heard of the term "present saving"?

A. Oh, yes.

Q. Well, what is that used to designate?

A. That was meant to designate the now existing or then existing paving or conduit.

Q. And which would have to be cut in case there was no telephone company here and it was going to be constructed now?

A. On that theory, yes.

Q. Well, that is all I was trying to get at. Now, what was the correction which you made in your total saving figure of $1,435,962.22?

A. On revision, I increased the original amount as shown on Page 1 of what has been marked Allensworth's Exhibit Number 5 by the amount of $59,430.78.

Q. Why did you make that correction; what does it represent?

A. In reviewing the detail of what I had originally used, [fol. 4497] I found that there has some errors crept in principally because of the pressure and limited amount of time that I had. I found some omissions.

Q. When you testified to your Exhibits in this case, did you have the details of your paving costs?

A. To some extent, not entirely.

Q. Did you have the valuation of the paving in detail?

A. What valuation?

Q. The total amount, did you have the details of your total amount of paving at the time you testified in chief?

A. Well, I don't know just what you mean by detail. I did not have all of the details.

Q. Did you have any detail valuation of your paving costs at the time you testified to the original amount—not entirely, I understood you to say?

A. Not entirely.

Q. What did you have in the way of details at the time when you testified to your total paving costs?

A. I had the paving costs in terms of cost per square hard as reported to me by the company, from which the computations have been made, and those computations were somewhat lengthy and on review after my testimony, I found that there were some errors. I made those corrections.

Mr. Burr: Let us hear his answer.

(Previous answer read.)

Q. Had you those computations to which you have just referred at the time when you testified in chief?

A. The computations have been made, that was the source [fol. 4498] of the amount originally shown, $1,435,962.32.

Q. Yes, did you have the detail valuation of your paving which totalled $1,435,962.22 at that time, that is to say at the time you testified?

A. Why, I had all the notes of the detail producing that amount of course.

Q. Will you give us that detail; what was it?

A. I don't think I have it now.

Q. How was it prepared; in what form was it?

A. The form was computing the repaving cost per square yard and extending that square yard against the amounts of paving reported to me by the company in its inventory statement. That is not directly of the inventory statement, in data supplied me by the company's engineers supporting it.

Q. Did you have the details of your paving costs at the time you testified to this amount of $1,495,000.00?

A. I had what detail was used in building up that amount and necessarily must have had.

Q. Now, then, you furnished certain details to the company, didn't you?

A. Yes, sir.

Q. That was sometime after you testified?

A. Yes, sir.

Q. Were all of those details in existence at the time when you testified in chief?

A. No, sir.

Q. And you submitted those details and the total cost arrived at by applying those detailed costs, which was different from the one to which you had originally testified, wasn't it?

A. Yes, sir.

Q. Wasn't the first total which was contained in the [fol. 4499] detail sheet which you furnished to the company for paving the sum of $1,525,001.24?

A. No, sir.

Q. What was it?

A. I beg your pardon. Read that again.

(Previous question read.)

A. Why, it may have been. May I have a copy of the sheet that I furnished the company?

Mr. Williams: We haven't got it here.

Mr. Burr: Well, we were just going to ask you for your company so that we might use it this afternoon. We haven't brought one over.

The Witness: Well, it may have been. I don't remember the exact amount, but that total would have been more than the total shown in this revision.

Mr. Burr. Well, I think I can supply most of your notes or much of the information contained in your sheet and it can be checked in case I am wrong.

Q. Didn't you apply to the figure of $1,525,001.25 shown in that sheet 98.058477 per cent?

A. No, sir.

Q. Are you sure of that?

A. Yes, sir.

Q. Very well, what did you do?

A. I applied 15 per cent. for the portion of the paving cost that would be handled by the company, that is, the portion of the paving work, I should say, or the amount of work that I have included in this amount that would be handled

by the company. To those amounts, I added my overhead that I have added all the way through, 15 per cent.

Mr. Burr: We can not examine about this very well not [fol. 4500] having the sheet here, but I think you will find a mistake in it.

Mr. Turner: You have the sheet?

Mr. Burr: We have it, but we haven't it here.

Mr. Turner: Well, it is almost adjourning time.

Commissioner Huffman: We will adjourn until 1:30 Wednesday.

And thereupon the further hearing of this case was adjourned until 1:30 P. M. Wednesday Afternoon, August 22nd, 1928.

[fol. 4501] Wednesday Afternoon Session

August 22, 1928.

And thereupon the further hearing of this case was resumed pursuant to adjournment.

Present:

Same parties by their counsel as at previous sessions.

Mr. Turner: If the Commission please, counsel for the Company have in their cross-examination gone into the matter of the kinds, characteristics, and quality of various elements of the plant. Having thus made an issue, in order that the State may meet it we now ask the Company to put into this record an itemized inventory of the following items of property actually in and forming a part of the outside plant of the Ohio Bell Telephone Company as of June 30, 1925, giving as to each item the manufacturer, the material, the dimensions, weight, carbon content, tensile or compression strength and galvanizing specifications covering patent anchors, anchor rods, carriage bolts, crossarm bolts, machine bolts, guy clamps, crossarm braces, fetter drive screws, guy hooks, guy thimbles, strain bars, pole steps, pole brackets, metal washers, L clamps, crossover clamps, Crosby clips, cable rings, lag screws, messenger strand.

We are attempting to get the inventory of the very articles upon which counsel predicated their examination of this witness. You will recall that they asked for the gal- [fol. 4502] vanizing specifications that were contained in

the construction; they asked for the weight, actual size, thickness of washers and all of that. Now we want to get that data and we must have it by the time that we begin our re-direct examination.

I will give counsel a copy of this so that he may look it over.

Mr. Burr: Thanks.

Chairman Klinger: I suppose without an order you will furnish it?

Mr. Burr: Yes.

[fol. 4503] And also H. R. ALLENSWORTH, resuming the stand for further cross-examination, continued his testimony as follows:

Cross-examined by Mr. Burr:

Q. In both your direct and cross-examination in respect of pole construction you referred to a large truck for hauling materials which you said will in some instances haul as many as 140 poles per day. The details of the unit costs furnished the Company provide also for a light truck at $3.50 a day. Is the latter truck the one referred to at page 2814 of the record where you speak of "cost of trucks used in construction, Company gang"?

A. Yes, sir.

Q. That being so, where have you provided in your costs for any truck or trucks of sufficient capacity to transport your typical construction crews of 22 men and all their tools and equipment to and from the job each day?

A. I have not assumed that the Company would furnish transportation for all the men working on the job.

Q. For how many have you assumed that it would furnish transportation?

A. The practice that would be followed in the reproduction of the property, as I have conceived it to be, that with their men at the base at which the truck were moving from in going out on the job they would ride on the truck, but it is not assumed on my part that the Company is to furnish free transportation to all of its workmen to take them everyplace they are going to work.

[fol. 4504] Q. How many men have you assumed would be transported by truck, can you give us anything on that?

A. No, sir.

Q. For all of the different sizes and types of conduit run in this case you have used the same composite per cubic foot cost for the three separate operations of excavation, back-fill and hauling surplus earth; that is true, isn't it?

A. Yes, sir.

Q. Isn't the actual per cubic foot cost for excavation a different cost than the per cubic cost for back-fill?

A. Yes, sir. Pardon me, I misunderstood your former question.

Q. And aren't the different per cubic foot costs for excavation and back-fill both different from the per cubic foot cost for hauling away surplus earth?

A. Yes, sir, and I have so figured them in my notes.

Q. Don't the number of cubic feet of excavation and the number of cubic feet of back-fill and the number of cubic feet of surplus earth vary in relation to each other for each trench foot of conduit run according to the size and type of the trench?

A. It would, yes.

Q. And notwithstanding those facts you have used a composite per cubic foot cost for the three separate operations of excavation, hauling and back-fill, haven't you?

A. Yes, sir.

Q. How did you compute it?

A. I computed it by taking the average cost for excavation, the average cost for back-fill and tamping, and the average cost for the removal of surplus earth.

Q. That involved taking an average of averages, didn't it?

A. No, sir.

[fol. 4505] Q. Well now taking for example a trench having a single duct or a trench constructed for a single duct and one for a twelve-duct conduit, how did you arrive at your composite cost as between the costs for those different runs bearing in mind that the amount of excavation, back-fill and hauling of surplus earth would vary in all three particulars in respect of those two conduits?

A. I figured in detail the cost for the three different operations and the cost arrived at is the average cost of each of those operations.

Q. Did you do that for every size and type of run in the property?

A. I got the average of it, made an average of the size and type of the conduit run.

Q. Will you be good enough to furnish this Commission with a computation showing how you arrived at that composit- cubic foot cost?

A. Well, I believe that that is part of the information that has been asked for by your engineers.

Q. Oh well, if it is of course I will not ask for it again, but may it be assumed that either in response to their request or mine you will give it to us in so far as you can?

A. Yes, sir.

Q. Referring for a moment to the matter of digging pole holes in the Tri-State valuation, didn't you base your tentative labor unit costs for 30-foot exchange pole hole digging upon a digging performance under ordinary soil conditions of three holes per man per day?

A. I don't remember what the figure was.

Q. Will you look at your record in that respect and tell us?

A. I have not the record before me. I can't do that [fol. 4506] now.

Q. No, I don't mean now, but at your convenience?

A. Yes, sir.

Q. In other words, will you tell the Commission after your investigation whether you didn't arrive at three holes per man per day as the fair average hole digging performance for that man?

A. I may have used that figure in that case, I don't remember.

Q. But you will undertake to tell us?

A. Yes, sir, and with it will be a full explanation as to its derivation.

Q. After arriving at your average hole digging performance under ordinary soil conditions of three holes per man per day in that case, didn't you then compute your cost for your pole hole digging performance, that is to say for 30-foot pole holes under ordinary soil conditions?

A. The unit cost that I applied to the inventory in the Tri-State case was an average and the cost of digging holes for 30-foot poles applied to all 30-foot poles.

Q. Yes. Now what I am trying to get at, didn't you in that case set up a separate unit cost classification of hole digging and for each size of pole?

A. With each length of pole, yes, sir.

Q. Yes, and for each of the soil conditions that you took into consideration in that case?

A. I set up a unit in the schedule that I used in that case.

Q. Didn't you do it in the same way in your final unit costs in that case?

A. No, sir. The final unit cost was the same labor cost per pole regardless of where it is set.

[fol. 4507] Q. You have not quite answered my previous question in which I was trying to get at the general method which you followed in arriving at your trench costs. One of the previous questions was as to the number of holes per day which you determined as the average to be dug and then I asked you whether after having determined the number of holes didn't you then compute your cost for digging for that kind of a hole under ordinary soil conditions?

A. Under average soil conditions.

Q. Didn't you first compute it under what you call "ordinary soil conditions"?

A. Well, I can't tell you at this late date.

Mr. Burr: Will you look that up and tell us? I think your record is very clear on it in the case. I can't give you a reference to the page but I think you will find that you did that.

Q. Having computed your cost for pole hole digging for 30-foot poles under ordinary soil conditions didn't you increase that cost 100 per cent, making the digging rate for holes in gumbo, hardpan and quicksand 1½ poles per day?

A. In the preliminary costs something like that, I don't know whether those are the exact figures.

Q. And for digging pole holes in shale soil didn't you increase your hard-soil cost 200 per cent, making the digging of those holes one hole per man per day?

A. Perhaps so in the preliminary units.

Q. Yes.

A. I think you are confusing your unit costs with the preliminary units.

[fol. 4508] Q. No, I am not. My original question asked you whether you didn't do this in your tentative unit costs.

A. If you are referring to tentative units——

Q. Yes.

A. Yes, sir.

Q. And for digging 30-foot pole holes in rock didn't you increase your ordinary soil digging cost 400 per cent, making the digging rate for holes of that kind 6/10 of one hole per man per day?

A. That is possible. I don't remember the figures.

Mr. Turner: But that is in the tentative?

The Witness: That is in the tentative.

Q. You will look all of those matters up for us, will you, please?

A. Yes, sir.

Q. In the determination of your final unit costs in that Tri-State case for each of the four foregoing kinds of hole digging, didn't you increase your tentative labor costs for that kind of work, thereby using a digging rate or performance for those holes even less than your tentative or preliminary digging rate or performance?

A. I don't understand the question. Mr. Reporter, will you please read it?

(Previous question read.)

A. As to the tentative units I believe that is true. I don't remember exactly.

Q. Yes. But didn't you, when it came to the valuation of your final unit costs for those kind of hole digging, increase your tentative labor costs, using a digging rate or performance for those holes even less than your tentative or preliminary digging rate of performance?

A. I increased the tentative units. How much of course I don't remember.

[fol. 4509] Q. That is, you increased the tentative units in money, thereby reducing the digging performance; is not that true?

A. Yes, sir.

Q. Isn't it a fact also that even your sand digging costs in your Cuyahoga case required less performance—that is to say, less digging per man per day than that required in your costs in the present case for digging in average soil conditions throughout the State of Ohio?

A. I don't know.

Q. Will you look that up and tell us?

A. If I have any information from which I can deduct it I will.

Q. To summarize on this subject, don't your pole hole costs in the present case require the digging of more holes per man per day than your hole digging cost applied in either the Cuyahoga or Tri-State valuations?

A. I don't know.

Q. Will you look those up and tell us?

A. Yes, sir.

Q. We will undertake to assist you by pointing out the data on which these questions are based if you will accept our assistance in that respect. (No response.)

Q. What allowance have you made in your labor unit cost for overtime work performed in the reproduction of the property of the Ohio Bell Company?

A. The rate of performance that I have used is an average rate and contemplates lost time and other ordinary contingencies.

Q. What does the lost time amount to either in dollars or percentage or any other measure; that is to say, of course, the allowance for lost time in respect of any one of your labor unit costs or for any class of property covered [fol. 4510] by your testimony in this case? There is no specific figure established for that; is there any way that you can tell us or the Commission how you arrived at your overtime allowance and what it amounts to?

A. I didn't arrive at any overtime allowance.

Q. Well, how are we to get at the amount of overtime represented by your unit costs?

A. You can't get at it because there is no specific allowance for any such act.

Q. You say there was an allowance for overtime loss?

A. I did not say there was an allowance. I said that was contemplated.

Q. Oh, I see.

A. In the rate—in the foreman's rate upon which the units are based.

Q. You say it was contemplated. You mean by that that you actually made the allowance or that you didn't make the allowance?

A. When I say contemplated that means exactly what I intended it should mean: that all such costs are contemplated in the performance that I used as the basis to establish these units.

Q. You thought about those costs, in other words, but you can't tell the Commission in any terms either of per cent or in any other measure the amount of overtime represented in your labor units?

A. I have no percentage figure, no, sir.

Q. Well, can you give us any measure by which we can determine the amount of overtime?

A. No, sir.

Q. At page 2821 of the record you say that your construction crews working on exchange poles and wire would [fol. 4511] work 219 days per year and the construction crews working on toll pole and wire would require 216 days per year. Can you give the Commission the number of working days per year for your exchange aerial construction crews?

A. No, sir.

Q. Or for your exchange underground conduit crews?

A. No, sir.

Q. Or for your crews engaged in the installation of drop wires?

A. No, sir.

Q. Or toll aerial cable?

A. No, sir.

Q. Or toll underground conduit or cable?

A. No, sir.

Q. Can you give the total amount of days which those crews would work in each of those classes of plant throughout your entire construction period?

A. I have not made any such analysis.

Q. So that you can't give that data?

A. No, sir.

Q. Am I correct in understanding you to claim that all of the Ohio Bell Telephone exchange poles could be placed, all exchange wires, drops, all of the exchange aerial cable spliced and placed, all the exchange crossarms placed and all the toll pole crossarms and aerial wire and cable placed by 23 construction gangs, divided 16 to exchange and 7 to toll construction?

A. No, sir.

Q. How many gangs are contemplated in your costs as the number necessary for the reproduction of the property of the company under your reproduction plan and during your reproduction or construction period?

A. I have made no estimate.

Q. Does your plan of reproduction for the entire ont side plant property contemplate that any outside plant construction work would be done in the months of Novem- [fol. 4512] ber, December, January, February and March?

A. The theory upon which I built the reproduction cost is that the work would progress in the most expedient and expeditious manner and if it were possible to work in De-

cember the gangs would work in December, and if it were possible to work in January they would work in January, depending on weather conditions.

Q. Well, does your plan contemplate that your supervisory forces would be kept in the Company's employ during the time of no construction?

A. Well, I don't understand the blanket term "supervisory forces," what are they?

Q. What do you consider to be included in that then?

A. I have no such term in my vocabulary as "supervisory forces."

Q. Under your plan and during the winter months would your men be laid off during the period when the weather was inclement?

A. If I were running the job the construction forces not working would not draw pay.

Q. And suppose that in the month of February, for example, inclement weather developed, your construction forces would be dismissed from the employ of the company or allowed to go, would they?

A. Would if I were allowed to run the construction.

Q. And if by March the weather moderated and construction could be resumed you would proceed with the recruiting of new gangs of men, would you?

A. Not necessarily new gangs of men, the men would be put back to work.

Q. Yes, and in the meantime the men had been allowed to go their way?

A. Yes, sir.

Q. And you would put them back to work if they were [fol. 4513] available?

A. Yes, sir.

Q. At page 2839 of the record you say in substance that no allowance has been made in the reproduction cost new for the item of "cost of establishing business." Am I correct in understanding that your reproduction cost of the property in this case covers and includes only physical property?

A. Physical property only—my reproduction cost covers only outside plant.

Q. Of course then it includes only physical property, doesn't it?

A. Yes, sir.

Q. At the same page of the record you give us your reason for assuming the cost of establishing business. "The fact that the records of the Company do not show that the Company has ever incurred any cost of establishing the business that has not been absorbed currently as operating expense"; what examination of the Company's records or of the record in this case did you make before making that statement to the Commission?

(Question read.)

A. Well, the record that I examined in this case was the exhibit introduced by one of its engineers upon which is built its alleged cost of establishing the business; secondly, I am familiar with the accounts of the Company in a general way from the reports filed with the Public Utilities Commission. The reports filed with the Public Utilities Commission show that all of the expenses alleged by this engineer introducing that exhibit to be capital charges in his reproduction cost are absorbed as operating expenses.

Q. Is that your only answer?

A. Pardon me, I thought that I had answered that quite fully. If I can go any further, if you will please point out [fol. 4514] where I am remiss I will be glad to supply the deficiency if I can.

Q. In your Cuyahoga valuation did you not find and allow for the cost of establishing the business of the property there included, a sum equal to 9.7 per cent of the reproduction cost of the property?

A. No, sir.

Q. Will you look up the matter and tell the Commission at some later time how much you did allow for that item?

A. I don't have to, I know that I did not allow any percentage of the value for going concern value or cost of establishing the business in the Cuyahoga case or any other case that I ever had anything to do with.

Q. Will you look up and tell the Commission what was the amount in dollars that you allowed for such cost of establishing the business?

A. I think you may have it before you, whatever it was in dollars I subscribed to.

Q. Whatever it was in dollars didn't it amount to 9.7 per cent of the reproduction cost of the property?

A. I don't know.

Q. Will you look that up and tell the Commission?

Mr. Turner: We will object to that because when the facts are before the Commission on that matter it will make percentages immaterial and make the percentage a wrong basis. There are facts connected with the matter that have not been brought out yet. We have not tried this Cuyahoga case fully yet.

Mr. Burr: It is a matter of computation.

Mr. Turner: Why for my part he don't need it by the [fol. 4515] witness, he has got it in here. He can get the amount in. This witness will tell you how much the amount is or may admit the amount if Mr. Burr will ask the amount.

Q. Very well, will you do this at your convenience, tell the Commission the amount which you found for the cost of establishing the business of that property and tell the Commission the reproduction cost new which you found for that property exclusive of the item of cost of establishing business?

A. If you have the figures before you show them to me and I will read them into the record. There is no use of looking them up.

Mr. Burr: I haven't them before me. They may be here somewhere in this other paper.

Mr. Turner: We can save a good deal of time, Mr. Burr, if you have them.

Mr. Burr: Well, we are quite willing to do it.

Q. Will you look at page 7 of the valuation of the Cleveland Division of the Ohio State Telephone Company referred to from time to time as the Cuyahoga valuation and tell the Commission whether the grand total of the reproduction cost new as shown on page 7 of that exhibit was not the sum of $6,228,140.89, and then on the same page will you tell the Commission whether the cost of establishing the business given there in the same column as the one containing the previous figure was not $551,971.55?

A. Those amounts appear on the sheet that is now before me.

Q. Do you deny that that sheet is a part of your valuation heretofore referred to as your Cuyahoga valuation and filed with this Commission?

[fol. 4516] A. I do not, but neither do I say that it is because I have not yet had the opportunity of checking it.

Mr. Turner: We will accept it upon your statement that it is.

The Witness: I may add that it looks very much like a copy of my appraisal in that case.

Mr. Burr: Thanks.

Q. Calling your attention to the item of "undistributed construction expenditures" heretofore referred to from time to time as the general overhead costs or expenses, I think you have already testified that your amount or allowance for general overheads in this case is 15 per cent of the direct construction costs; that is correct, isn't it?

A. Yes, sir.

Q. Wasn't your amount for general overheads in your Tri-State valuation 15.1 per cent?

A. It may have been, I don't remember what it was in that case.

Q. Will you investigate that fact and tell us definitely about it, please?

A. Yes, sir.

Q. And at the same time will you advise the Commission whether that 15.1 per cent didn't exclude any allowance for the item of taxes during construction?

A. Well, if you will explain which 15 per cent allowance you are referring to.

Q. Yes, your 15.1 per cent allowance in the Tri-State case.

A. In the Tri-State case?

Q. Yes.

A. I will be very glad to look it up and give you or the Commission or your engineers or whoever may want it a detail account of the items that are comprised in the allowance, whatever that may be.

[fol. 4517] Q. All we want is your statement in that respect for the record but we do want that. I think you said that the total reproduction cost of the property involved in that case amounted to approximately eighteen million dollars?

A. I think it was something more than that, Mr. Burr, but I have not had a chance to look it up, Mr. Burr.

Q. But you are going to do that and let us know?

A. Be very glad to.

Q. What in terms of per cent was your amount or allowance for general overheads in your Cuyahoga valuation?

A. I don't remember.

Q. Will you look that up and tell this Commission whether or not it was not approximately 19.12 per cent of the direct construction costs in that case?

A. It may have been but it would be very difficult of ascertainment at this late day because of the manner in which the overhead was spread in that case. I expect that it may have been something around 19 per cent.

Q. Yes. And you will undertake to tell us or the Commission what it actually was?

A. No, sir, I will not undertake to do that.

Q. Oh, I see——

Mr. Turner: That is because you say you have not the data now?

The Witness: That valuation, as you know, Mr. Turner, was made a good many years ago, and as I remember it at this late date the overhead allowance was not spread on a flat percentage on the total amount of construction, as it is in most ordinary cases. It was spread all through the [fol. 4518] detail, and to compile that and bring it out, I don't know whether that could be done now or not. I don't remember.

Mr. Turner: In other words, do I understand you that lump sums were used instead of percentages?

The Witness: No percentages were used, but in different parts of the detail.

Mr. Turner: In other words, if it represented 15.1 per cent now that figure was obtained backward, that is no criterion of what it was on the several items?

Mr. Burr: No.

The Witness: No, not quite that.

Mr. Turner: Well then I just want to get at what it was or how it was.

The Witness: As I understand the question that Mr. Burr has asked is what would be the total percentage applied to all of the property.

Commissioner Maullar: And in which costs it was included in the units, was it?

The Witness: In some cases I think it was in the units.

Mr. Turner: I see.

Q. Will you undertake to sit down with our engineers and see if you can't compute your total general overhead allowance in that case?

A. I will be very glad to confer with your engineers any time on that—or any other subject.

Q. As a matter of fact instead of being spread through the unit costs as you have indicated doesn't your valuation in that case filed with this Commission show overheads as a total either for the pole line or some other account as a [fol. 4519] total or by central offices and inside plant?

Mr. Turner: I think that counsel ought to show the exhibit to the witness.

Mr. Burr: We would be glad to.

Mr. Turner: It is years ago you know.

Chairman Klinger: Yes, so that when he answers he will have something to base his answer on.

Mr. Burr: In order not to take up the time of the Commission we will, with the consent of counsel and Mr. Allensworth, if they will accord it, go over the matter with Mr. Allensworth showing him the valuation compiled over his signature here with the Commission and then will ask him to report to the Commission if we are not right in our contention that his over-all allowance for general overheads in that case didn't amount to 19.12 per cent, of the direct construction cost.

Mr. Turner: May we put it this way, that you will ask him the question again after the exhibit has been shown to him? We don't want to trust to the witness digging this stuff up and giving it to you. That puts a burden upon the witness that he ought not to have. You ought to ask the question again it seems to me after you have given him the information that you want given.

Mr. Burr: I don't want to leave it that he has got to bring it in here.

Mr. Calland: It will be assumed.

Mr. Turner: It might be overlooked and I don't want to be penalized.

Mr. Burr: It is immaterial to us how it is done. The rec- [fol. 4520] ord is on file here with this Commission and I was just trying to get at some easy way to satisfy Mr. Allensworth of our computation from his own record on file with the Commission. Whatever the Commission says as to how we shall do it we will be very glad to.

Chairman Klinger: Well, you better ask him again to be sure that it will not be overlooked.

Mr. Burr: Very well, we will do that.

Mr. Turner: That is the point that I wanted made clear.

Mr. Burr: When would it be convenient for you to confer with us on that subject?

The Witness: Why at the close of this hearing I have got some matters to take up with Mr. Calland and it depends entirely on what demands Mr. Calland is going to make on my time for the next few days.

Mr. Turner: We will facilitate it, Mr. Burr. There will be no trouble about our getting together if we have the time between hearings to get all of this stuff out.

Mr. Allensworth, in response to one of my questions, said that something that you asked for would take one month's solid time and so I have got to always predicate it upon "if we have the time" you know.

Mr. Burr: Well, Mr. Turner, you have been very kind in your offers to assist us in doing what I know we are all trying to do—to get at the truth—and I hope you and the Commission will understand that we have tried to limit our requests for information to the things that we just must have.

Mr. Turner: We are willing to give you anything that [fol. 4521] we can.

Mr. Burr: Yes.

Mr. Turner: But here was the thing, I thought you were examining on this Cuyahoga exhibit which you had in your hands there and I assumed that you could show him the page and that you had it right there, but now I find it is a deduction from many pages, so I can see why you want the computation made—and I am not objecting to it at all.

Mr. Burr: I imagine we could perhaps get at it in 15 minutes time because there are not so many——

Mr. Turner: Well, Mr. Calland will make the arrangement with you after we adjourn here.

Mr. Burr: Fine. Thank you.

Q. Then will you also tell the Commission whether or not in addition to those percentage allowances of 15.1 per cent and 19.12 in the Tri-State and Cuyahoga cases, for general overheads, you did not also allow and add approximately 4½ per cent in your Tri-State valuation and 6 per cent in your Cuyahoga valuation for the item known as preliminary expense?

Mr. Turner: Now I object to that because especially in the Tri-State case I think it will develop that nothing was done there by the way of percentages. I may be in error

about it but my understanding is that it was not taken by percentages, so that asking it in percentages brings a wrong reference here. Now I have no objection to his asking the lump sum because that is my understanding of what was done there.

Commissioner Maullar: The sum in amount without per [fol. 4522] cent?

Mr. Turner: Oh, you can take it back and get the amount of that, but that expresses an inaccurate view of the situation. It wasn't taken by percentages. It was taken by lump amount and it happens to turn out to be that percentage. I may be mistaken about it but that is my understanding.

Q. Put it in another way in compliance with your suggestion, will you please in those two cases ascertain and tell the Commission the amounts in dollars?

Mr. Turner: That is all right.

Q. (Continuing.) Of your allowances for the item known as preliminary expense?

Chairman Klinger: If there is any doubt about it ask him to determine the allowances in those and then have it determined in per cent.

Q. And then having found the amount in dollars will you also give to the Commission the total reproductive cost new which you find in those two cases, then if you don't want to compute the per cent we will, but will you do that, if you please?

Mr. Turner: We do not object.

The Witness: If you have those statements before you, Mr. Burr, I would be glad to read them into the record now.

Mr. Turner: We do not object to his computing the percentage but I do want to get away from the fact that it was done on a percentage basis.

Chairman Klinger: We understand that.

[fol. 4523] Q. While we are looking up the record in that respect let me ask you this, please: at page 2836 of the record I think you testified that your allowance for omissions in the present case is approximately one per cent of the direct construction cost; do you remember that?

A. Yes, sir.

Q. In your Cuyahoga valuation wasn't your allowance for contingencies and omissions 6.84 per cent of the direct construction costs?

A. It may have been; I don't remember.

Q. Well, what is your best recollection?

A. I have no recollection, Mr. Burr, of those details. I have, however, my statements submitted, in my office, and when your Mr. Williams comes over if you will give him all of those notes that you want checked up I will be very glad to go over all of them with him.

Q. And will you at the same time go over with Mr. Williams and advise him or us or the Commission if for at least 75 per cent of the property accounts that 6.84 per cent for contingencies and omissions was not divided approximately equally between omissions on the one hand and contingencies on the other?

A. That will be revealed when we make the investigation.

Q. Yes.

A. Of course I do not remember at this time.

Mr. Turner: It is not to be taken as proven until the question is asked again after examination.

[fol. 4524] Q. In your Tri-State case, wasn't your allowance for ommissions in respect of the toll property 1% of your direct construction costs, and in respect of the exchange property 2%?

Mr. Turner: Objection because as I understand, the Tri-State case was not upon a percentage basis.

The Witness: It was in that detail, Mr. Turner.

Mr. Turner: It was. All right, I will withdraw the objection then.

The Witness: I don't remember exactly; I have those figures in my office also and I will be very glad to show them to Mr. Williams when he comes in.

Chairman Klinger: Just a moment, it seems to me that we are just encumbering the record here.

Commissioner Maullar: Have to go back and do this all over again.

Chairman Klinger: (Continuing) And are getting nowhere. It seems to me this line of information you are seeking you had better put into the form of a line of questions or interrogatories, and have your engineer or your accountant or whoever it may be get it out. We are just

putting matter in the record and not getting anything there. In other words, instead of asking these questions here and putting them in the record, why don't you just put them up to his counsel and go over them and let him be prepared to answer?

Mr. Turner: We will cooperate.

Mr. Calland: Sure.

Chairman Klinger: It seems to me we are wasting time.

[fol. 4525] Commissioner Huffman: That is the way it will almost have to be done ultimately.

Chairman Klinger: Yes, we are getting nowhere with this.

Mr. Burr: No: I had supposed that Mr. Allensworth would remember such allowance, as for the items of omissions, for example.

Commissioner Huffman: It is hardly likely for so long a period of time as that that he would.

Mr. Turner: Over that many years.

Chairman Klinger: I believe we are just wasting time and encumbering the record.

Mr. Turner: Mr. Allensworth will answer if they show him the figures they claim to have. The best thing to do is to put them up and show them to him.

Chairman Klinger: Well, Mr. Allensworth is hesitating and says he wants to check them up with his own memoranda.

The Witness: Yes, I prefer to do that.

Chairman Klinger: Yes. I notice on his answers he can not state.

Mr. Turner: On the State's part we were willing to take them upon Mr. Burr's statement that they were correct, subject to check.

Commissioner Huffman: Well, many of those he has not checked.

Mr. Turner: Well, many of the figures instead of having them there as I thought they had them, they have got to go through and dig them out and make computations to arrive at those figures so that we can get anywhere.

[fol. 4526] Chairman Klinger: It seems we are not getting any information. We are just kind of asking a lot of questions and then making an agreement. Why not do that with counsel?

Mr. Burr: Very well.

Mr. Turner: We will help.

Mr. Burr: The Commission will understand that in respect of some of these we have the reference to the pages of record.

Commissioner Huffman: Where these things can be found.

Mr. Burr: And I was just going to refresh Mr. Allensworth's recollection on each item of omissions by referring to the record, but perhaps we can make time——

Chairman Klinger: He can not remember all of these now.

Mr. Burr: (Continuing) By following your suggestion. And we will do the same thing in reference to the item of taxes during construction.

Chairman Klinger: It seems to me that those items——

Mr. Burr: (Continuing) And we will do the same thing in respect of this supply expense. I am reading that into the record so that we may not lose sight of the subject.

Commissioner Maullar: And all of those things that are agreed upon between yourself and the counsel or between the engineers—I don't see why they could not be read right into the record by stipulation.

Mr. Turner: Can be.

Mr. Calland: If we can agree; if we can not, we will have to have the record.

[fol. 4527] Q. In the matter of tool expense your allowance in the present case is 2% of your total direct labor cost, and if you have any doubt on that we will check that with you too?

A. That is correct.

Q. In that allowance for tool expense, have you or have you not included the cost of small or short-lived tools necessary for the reproduction of the property?

A. That is my estimate of the total tool expense.

Q. Yes, but haven't you excluded from your allowance for tool expense in this case the cost or value of all of what are known as the small tools, small or short-lived tools necessary for the reproduction of the property?

A. No, sir.

Q. How much of your 2% for tool expense represents the cost or value of the small or short-lived tools, do you recall that?

A. That was not determined either in percentage or amount for the reason that tool expense as I have included

in this reproduction cost is the total tool expense chargeable to the construction of the property.

Q. Well, isn't it true that under the Commission's system of accounts the telephone company is required to charge all small or short-lived tools to a clearing or suspense account known as account number 703?

A. I don't remember the account number, of course, but I suspect in an operating telephone company that is the right account.

Q. In your testimony you have reduced the company's valuation for general tools and implements by the sum of $150,000, do you remember that?

A. Read the question, please?

(Previous question read.)

[fol. 4528] A. Yes, sir.

Q. But the deduction represents small or short-lived tools, doesn't it?

A. Yes, sir.

Q. Why did you make that deduction?

A. Because the company had charged those tools to expense and absorbed the expense thereof and in its inventory then it sets up reproduction cost of the same tool and capatalizes it in its valuation.

Q. Are you sure of that?

A. That was the information that was given me by—I discussed it with Mr. Schneider in Cleveland and I discussed it with Mr. Rickey in Cleveland.

Q. Aren't you mistaken on that, and didn't they say to you that those tools had been charged not to expense but into a suspense account called tool expense under the system of this Commission?

A. I don't think so.

Q. Well, don't you know——

A. I don't think that that was the explanation.

Q. Well, don't you know that the item of tool expense in this Commission's system of accounting is not an expense item at all—it is not an operating expense?

A. It can't be anything else than an operating expense eventually excepting that the suspense account may be spread in some degree to construction.

Q. And is not the telephone company required by this Commission's system of accounts to allocate or spread on the one hand to expense and on the other hand to construc

tion the small or short-lived tools consumed in one of those two operations?

A. I think so.

[fol. 4529] Q. Then you have deducted thereof $150,371.19 from the company's general tools and implements account and you have given as the reason, as I understand you, that these tools were all charged to expense, is that correct?

A. Charged—the first entry—they are charged to a suspense account.

Q. Yes.

A. As any general account is known, as a suspense account.

Q. Yes.

A. In your telephone nomenclature I think you refer to it as a clearing account.

Q. Yes. Now then, do you want this Commission to understand that none of those tools would be consumed in the reproduction of the property?

A. There would be some such tools consumed.

Q. Yes, but you have not made any allowance in your costs for such tools, have you?

A. Certainly.

Q. Haven't you deducted $150,000 representing the value of all the small tools?

A. From the Company's inventory, yes, sir.

Q. Well, what allowance have you made for such tools, such small or short-lived tools as are necessary for the reproduction of the property?

A. Well, Mr. Burr, I don't understand that your own engineers are claiming that the account that they set up in their reproduction cost as tools and equipment is also a part of the expense of constructing the property. If they do, of course that would be a plain duplication on its face.

[fol. 4530] Q. In your reproduction cost new you have included, have you not, all of the large tools of the company?

A. I have included what the company claims as its reproduction cost of the large tools, yes, sir.

Q. And you have excluded the reproduction cost of all of its small tools, haven't you?

A. All of those tools that are charged immediately to expense and absorbed either as operating expense or some other expense.

Q. Notwithstanding they might be used up in the reproduction of the property?

A. Yes, sir, that has nothing whatever to do with the subject that you are introducing, though, at this time.

Q. Let me ask you this then, that deduction of $150,371.19, wasn't it made on the assumption that the net additions to general tools and implements, "Contains the same portion of items the cost of which are absorbed as expenses at the time of purchase," do you remember saying that?

A. Yes, sir.

Q. Do you contend that the portion of the company's net additions represented by general tools and implements contains any amount for small or short-lived tools?

A. Read the question, please?

(Previous question read.)

A. Net additions, tools and implements?

Q. Yes?

A. I don't know, excepting from the explanation that was given me by, I think Mr. Williams. His explanation at the time was—in fact, the detail he submitted to me—a very [fol. 4531] voluminous detail—that they had counted all of these tools and had set them up and had taken the price and estimated the sum of each by the price and got the total of tools and implements, and then subsequent to that statement there was an addition made to bring the account forward to some subsequent date, and my understanding from Mr. Williams was that that represented all of the tool account and included the short-lived elements.

Q. And if your understanding in that respect was incorrect, then you should not have deducted anything on that account, should you?

A. Yes, sir, I should not have made a deduction from the book account of tools and implements added, if that information is in error.

Mr. Turner: Let me get myself straightened out, is it the claim of the company that they have a right to capitalize any suspense account? My understanding of a suspense account is that that is finally charged out in expense and not in capital—and not capitalized. I want to get what the company claims it has the right to do here in the matter of accounting.

Mr. Burr: Your understanding in that respect is only half right.

Mr. Turner: Well, I can understand how it can only be half right. I don't know much about it.

Mr. Burr: A part of that total expense account is cleared to construction and part to expense and, of course, we have a right to capitalize the part charged to construction.

[fol. 4532] Mr. Turner: What do you claim is the part or percentage charged to construction?

Mr. Burr: It is not a percentage, at least I can't give it to you, but those tools are very carefully charged accordingly as they are consumed one way or the other.

Mr. Turner: In other words, then an account of the telephone company may become capital or it may become expense.

Mr. Burr: Or it may become part of each.

Commissioner Huffman: But as a suspense account it is not capitalized.

Mr. Turner: No.

Mr. Burr: It should not be, and we have not attempted to do it.

Q. Only one more question on this, don't you know that the general tools and implements only includes the large tools and implements and therefore the net additions to tools and implements contains no small or short-lived tools?

A. I know that the statement presented to me by the company of its tools and implement account wherein they set up their reproduction cost of its tools does include many hundreds of very small tool elements.

Q. That is not the net additions statement that you are now referring to?

A. How?

Q. That is not the company's statement of net additions, is it?

A. It is not. Now, if your former question was related to the net additions——

Q. It was.

A. My answer is that I don't know, because I don't know what is in that account and what may not be in it.

[fol. 4533] Mr. Burr: The next subject which we were about to cover, Your Honors, is that of incidental expense, and inasmuch as it involves a comparison between Mr. Allensworth's allowances for incidental expense in this case

and his allowance for incidental expense in respect of a similar property in the Tri-State case, it is probable that we would better reserve that subject to a conference with Mr. Allensworth. To indicate what I mean, Your Honors, and to show you that this is a material issue, I would ask him whether or not in terms of percentages of direct labor his allowance for incidental expenses in respect of the toll aerial wire construction in the present case is not 27.02% and whether his allowance for incidental expense for the same item in his Tri-State valuation was 53.8%, and similar comparisons of that sort.

Chairman Klinger: Well, all of those things that you can work out you better work out outside.

Q. What does your item of incidental expense cover; what is it intended to cover?

A. Construction expense incident to construction not otherwise provided for.

Q. Yes, but can't you itemize it a little more than that?

A. It varies in the different classes of plant.

Q. Well, take your toll pole line construction, what is included in the incidental expenses for that sort of work?

A. In what incidental expense, that is the incidental expense applied in which case? Are you talking about what I used in the Tri-State case or in the Ohio Bell case?

[fol. 4534] Q. Now, you make provision for your incidental expense in the present case. Now what I would like to have you tell the Commission is the items of expense which you term incidental expense, and you can take for example toll pole line construction and illustrate to the Commission what would be the component parts of your incidental expense?

A. One of the principal items in toll pole line construction would be transportation of men.

Q. And what else—how?

A. Transportation of men, and such other incidental expenses as would be incurred. Incidental expenses to me is perhaps better known as what I call voucher expense, voucher expense of the foremen in charge of the work and it covers a multitude of items of out-of-pocket expenditures for any purpose whatever.

Q. Well, it is such an important item that your incidental expenses in this case come to more than 10% of your total direct labor cost for outside plant, therefore can't you

tell the Commission some of the other items included in your incidental expenses?

A. You are still talking about toll pole line construction?

Q. Yes, using that for an example?

A. Labor expense, if any, or extra hauling expense, if any, paid for by the foreman on the job.

Q. Well, what about board and lodging?

A. There is none in this—in the units that I have applied in the Ohio Bell case.

Q. What about the special purchase of small material?

[fol. 4535] A. That is provided for.

Q. And railroad fare?

A. Yes, sir.

Q. Hire of vehicles and teams temporarily and the like?

A. Yes, sir.

Q. In the matter of construction work in progress at page 2839 of the record, you disallow that item claiming it to be an earning account. Do you mean by that that there is included in the company's figure of $2,223,718 for construction work in progress a sum representing interest on the construction work in progress?

A. I don't know, and I made no claim that the company had included interest in the amount shown in its statement.

Q. Well, what did you mean when you said it was an earning account and therefore you had disallowed it?

A. It is set up on all construction work in progress, as I understand it, and as I understand it, from your accountant, all construction work is set up as earning account, and on your income statement you show earning return.

Q. Suppose that the company's construction work in progress account in this case contained nothing for interest or return or earning and suppose that its income account statement does not show that, then what will you say as to your disallowance of the amount; would you be willing to look into that and correct your appraisal, if necessary?

A. Pardon me until I answer your question. You are asking a question involving two suppositions. I just have not got that straightened out yet—if the reporter will please read that question I may be able to answer them.

[fol. 4536] (Previous question read.)

A. If it can be shown that the interest on construction work in progress is not accounted for as income and is not

included in the amounts transferred to capital account at the time the amounts are transferred from construction work in progress to fixed capital, then I might want to change my testimony in that regard relative to that subject.

Mr. Burr: We will stand on the record in this case in that respect. That was gone into fully at one of the previous hearings and is covered by the testimony.

Mr. Turner: The record will show that?

Mr. Burr: Yes.

Mr. Turner: Whether or not it was.

Q. Do you remember the date when you first began your valuation work in the present case?

A. No, sir.

Q. Wasn't it in July of 1927?

A. I think it was June.

Q. From the time of your return to Columbus from Minnesota in 1924 I understand that you were serving the City Council of Columbus as consulting engineer in connection with the rates to be charged for natural gas, is that correct?

A. Yes, sir, I had that obligation.

Q. And that employment continued substantially down to the time of your employment in the present case, didn't it?

A. I don't think so.

Q. In what work were you engaged during the hiatus between your employment in this case and the end of your [fol. 4537] employment in the gas case?

A. I was engaged in certain work for certain clients of mine.

Q. Well, I don't want to pry into your private business.

A. Well, all my work is of a very extremely confidential nature.

Q. Quite so. I was merely trying to tie together your historical data and, of course, I am not undertaking to probe the privileged relationship between attorney and client or valuation engineer and client.

A. As near as I remember, Mr. Burr, the formal hearings in the Columbus Gas Case terminated in the middle of May, 1926 where the Master reported I think sometime in August and the Court made its decision sometime subsequent to that. Following May I did not work, of course, on the gas case excepting intermittently in conferences with the City

Attorney and doing some special work for the City Council here and there, and I think it was the following May I attended court in Cincinnati with counsel for the city.

Q. Yes.

A. And I think it was the following June that I was retained by Mr. Turner.

Q. Yes. Now in your service in Minnesota in connection with the Tri-State case, which extended over a period of about six years, as I recall your testimony——

A. My residence was a total in Minnesota——

Q. Yes.

A. Or might I say my temporary residence in Minnesota covered a period of about six years.

Q. And it was from the year 1917 to the year 1923?

A. I think so. I think it was November, '23.

[fol. 4538] Q. And during that time you were engaged with a large force of men in preparing an appraisal of the property of the Tri-State Telephone Company in Minnesota and the adjoining States?

A. For the first three years.

Q. Then I think you said that in addition to your detailed appraisal in that case you had charge of making the inventory also, didn't you?

A. Yes, sir.

Q. And having made the inventory and the appraisal you then testified as to the valuation of the property in the case before the Minnesota Commission?

A. Yes, sir.

Q. And I believe you testified some time during the previous cross-examination that during that period you had charge of a large force of employees, upwards of one hundred people engaged in assisting you in the inventory and valuation work in that case?

A. I had working for me a fairly large force, the exact number, of course, I don't remember. It varied from day to day.

Mr. Turner: That is a physical inventory you are talking about, Mr. Burr—that is a physical inventory you are talking about?

Mr. Burr: The inventory of the property. I don't exactly know what you mean by "physical inventory."

Mr. Turner: Well, we can study an inventory here, you know, or we can find it in the books of the company, or we

can go out on the road and make an inventory. Now, I was wondering what you were inquiring about, which kind of an inventory.

[fol. 4539] Mr. Burr: It does not make any difference.

Mr. Turner: I call a physical one the one that you go out and count the poles.

Mr. Burr: A field inventory.

Mr. Turner: A field inventory—that is a better word.

Mr. Burr: Very well.

Mr. Turner: I am not a telephone man.

Q. The foregoing answers take us back to your employment with the Ohio State Telephone Company and that extended from 1907 back into 1914?

A. Yes, sir.

Q. Where and under what circumstances, either during the period of your employment with the Ohio State Telephone Company or at any later or earlier date, did you ever actually construct or superintend the construction of a telephone plant as a whole?

A. A commercial telephone plant?

Q. Yes?

A. I never constructed one.

Q. And isn't it a fact that your only commercial telephone construction experience occurred for three or four months in the year 1899 in the city of Cleveland?

A. That is the only time that I was on the payroll of any telephone company and engaged in construction work.

Q. Well, perhaps you worked for nothing. What I want to know is whether you have ever engaged in actual telephone construction—commercial telephone construction—with the exception of those three or four months during the year 1899?

A. No, sir, I have not, if you limit the question to commercial telephone company.

Mr. Turner: We may have him working for nothing here.

[fol. 4540] Q. And that construction involved the installation of inside wiring and cables in or on buildings, didn't it?

A. In buildings—I constructed no cables on the exterior of buildings.

Q. I see. Then it was limited to the installation of wire and cable in buildings?

A. Yes, sir.

Chairman Klinger: Take a few minutes recess.

(At this point a short recess was taken.)

And thereupon a paper writing is produced and is for the purposes of identification marked Allensworth Cross-examination Exhibit number 5.

Q. You have heretofore furnished the company's engineers with a compilation headed, "The Ohio Bell Telephone Company, valuation as of June 30th, 1925, reproduction cost, exchange and underground conduit, paving over conduit and manholes," and I will ask you to look at the paper which has been identified as Allensworth cross-examination exhibit number 5 and tell the Commission whether or not that is the original of the statement furnished the company's engineers?

A. That is the original typed copy, yes, sir.

Mr. Burr: We offer it in evidence.

Chairman Klinger: It may be admitted.

And thereupon the paper writing so last above offered is introduced and admitted in evidence on behalf of The Ohio [fol. 4541] Bell Telephone Company, and is herewith submitted, marked Allensworth cross-examination exhibit number 5, and made a part hereof.

Q. When you were doing the inside wiring and cable work in Cleveland in 1899 how old were you?

A. Nineteen years old.

Q. Continuing with your historical data, and that having been your only commercial telephone construction experience, if I understood your previous answers, your only other telephone construction work occurred while you were in the employ of the city of Columbus in connection with its fire and police alarm department, that is true, isn't it?

A. Yes, sir.

Q. On the average, how many telephone construction men were employed in your department during your incumbency?

A. I couldn't tell you the average, Mr. Burr. It run over a period of twelve years.

Q. Yes.

A. And the regular crew when I took charge of it I think consisted of three men.

Q. And did that fairly represent the number of men usually in the employ of the department?

A. As the regular crew; I think we increased the regular crew to perhaps four men before I left.

Q. I see. And those four men did both construction and repair work, didn't they?

A. Yes, sir.

Q. How many poles did they ever set consecutively and [fol. 4542] as one job?

A. As one job I think the largest single job that I had in pole setting was probably thirty or forty.

Q. Were they all set in one locality or were they spotted at different parts of the city?

A. They were all set in one locality.

Q. And how many feet of conduit did your line ever construct as one continuous job?

A. I can't tell you that. The city, as you know, has use of the conduit systems of the telephone company.

Q. Yes.

A. And all of the conduit work performed by myself was what might be termed lateral conduits.

Q. And how many ducts were there in those conduits, usually one?

A. Ordinarily one.

Q. Generally speaking, the city not only had duct rights in the conduits of the telephone companies but it also had contact rights on their poles, didn't it?

A. It did, and has.

Q. How many poles on the average per year were erected by the men in your department.

A. I don't know. It was comparatively few.

Q. Did the city of Columbus own one hundred poles at any one time while you were in charge of that office?

A. In that division they didn't own any.

Q. Did the city own any conduit during the time, except the laterals to which you have referred?

A. All of the conduit that I installed, and also the main conduit in Elm Alley.

Q. In Elm Alley, and how much of a piece of conduit [fol. 4543] was that?

A. Oh, about one city block, I should say.

Q. How many ducts were there in that?

A. I don't remember.

Q. Well, wasn't there only one?

A. Oh, no, that is the main conduit. It was either four or six, I forget which.

Q. In the placing of the switchboards owned by the city of Columbus, how many of those boards did you install while you were connected with that department?

A. I don't remember, Mr. Burr, but the two last boards that I installed are still in use.

Q. Do you know the capacity of those boards?

A. No. And that question can't be very intelligently answered because of the fact that "capacity" as ordinarily understood with relation to switchboards and telephone work would not mean anything in terms of capacity of those switchboards.

Q. Well, how many positions did those boards provide for?

A. One of them has two positions.

Q. The other one has one?

A. The other one has one position. I not only installed those boards, but I designed them.

Q. I see.

A. One of them was manufactured by the Western Electric Company under my specifications.

Q. How many miles of cable, overhead or underground, did the city install during the period that you were connected with the department?

A. I don't know in miles, but when I took charge of the plant there was very little cable and when I got through [fol. 4544] with it the cable covered the city pretty well.

Q. Was that serial or underground?

A. Both.

Q. How many telephones were connected with the switchboard of the department?

A. Oh, I couldn't tell you that. I don't think that anybody else could. Those records are not kept by the city.

Q. As I understand it, the only detailed appraisal of an Ohio telephone property made by you was that involved in your Cuyahoga valuation, is not that true?

A. I don't know whether it is or not. You will have to tell me what you mean by detailed appraisal.

Q. Well, have you ever appraised a telephone property in Ohio in the same detail and with the same particularity as your appraisal of the Ohio State property?

A. No, sir.

Q. And you never testified as a witness in any case in Ohio involving a telephone property, did you?

A. Prior to this case, no, sir.

Q. Prior to this?

A. No, sir.

Q. And your Cuyahoga valuation was made as of April, 1914, was it?

A. I think so.

Q. And your Tri-State as of some time in the year 1918?

A. July the 1st, if I remember rightly, 1918.

Q. And that was the only case in which you ever testified to the valuation of a telephone property, wasn't it?

A. Yes, sir.

[fol. 4545] Q. Of course, excluding the present case. And your costs in the present case were not prepared in any such detail as the costs in the Cuyahoga case, were they?

A. Yes, sir.

Q. Were they prepared in as great detail as your costs in the Tri-State case?

A. Yes, sir, in some respects in greater detail.

Q. Did you prepare any tentative unit costs in the present case?

A. No, sir.

Q. You did in the Tri-State case, didn't you?

A. Yes, sir.

Q. And have you furnished this Commission with anything like the detail that you furnished the Commission in your Cuyahoga valuation or in your Tri-State valuation?

A. No, sir, for the reason that the Commission has not requested it. In both of those cases it was demanded by the Commission.

Q. A good deal has been said here about the difference between your tentative unit costs and your final unit costs in the Tri-State case, and I would like to get straight on that if possible. As I understand it, your tentative unit costs in the Tri-State case represented what might be termed your preliminary estimate of the cost to reproduce the property, is that correct?

A. No, sir.

Q. Well, what did those preliminary costs represent and why did you prepare them in connection with that case?

A. They represented my best judgment of the comparative cost of telephone construction operation.

[fol. 4546] Q. Yes.

A. They were prepared for the purpose of analyzing the records of construction work on file in the company's office.

Q. Did you take your preliminary costs as a yardstick and then set up against them or apply to them the actual cost experience of the Tri-State Company?

A. No, sir.

Q. Well, now, calling your attention to page 485 of volume II of the record of the Tri-State case, where you were asked this question by Mr. Randall:

"Question: Before presenting the Exhibit, there is one further question, Mr. Allensworth: In arriving at the final percentage by which your preliminary labor units are increased or decreased as the case may be, you have taken the analysis of the Northwestern performance and the analysis of the Tri-State performance as shown in your exhibit 15, determined the percentage by which the Northwestern analysis exceeds or is less than the preliminary; on a percentage in like manner by which the Tri-State exceeds or is less than the preliminary, and you have taken a straight arithmetical average of the Northwestern and Tri-State percentages; in other words, as in the case of toll pole line appearing on page 107 the Tri-State percentage is 8.67% over your preliminary and the Northwestern performance corrected to July 1, 1918 is 28.76% over your Tri or preliminary units; and you have taken the arithmetical [fol. 4547] average of the sum of those two percentages of 18.7% as the final percentage to be used in correcting your preliminary labor units as to toll pole lines."

And didn't you thereupon answer: "That is correct, yes."

Mr. Turner: Mr. Burr, before that question is answered —now that book which you are handing us will be available on re-direct examination?

Mr. Burr: We will have it here.

Mr. Turner: Yes, sir.

Q. Do you remember that?

A. Yes, sir.

Q. Is that correct?

A. That is a correct statement in answer to the question and the illustration drawn.

Q. Having arrived at your tentative costs in that case, you then made an analysis of the company's work orders in order to arrive at the company's actual cost, didn't you?

A. Yes, sir.

Q. And you filed the tentative costs with the Commission in order to convince the Commission of the reasonableness of the company's costs as developed by that analysis, didn't you?

A. No, sir.

Q. Are you sure of that?

A. No, sir—or I am sure of it, yes.

Q. And for your final costs in that case, didn't you modify your tentative costs slightly in instances where the cost experience of the company persuaded you that the tentative costs could be so modified?

A. No, sir.

[fol. 4548] Q. And you are sure of that?

A. Yes, sir.

Q. And for your final costs in that case didn't you modify substantially all of your tentative costs upwards?

A. I think so.

Mr. Burr: That is all at this hearing, except for one thing; somewhere in your cross-examination last week you referred to the preparation of some document to which your attention had been called and which you said had been prepared for Mr. McMeen, do you remember that?

A. That was a claimed schedule of unit costs.

Q. And you were then referring to the volume marked Allensworth cross-examination exhibit 4, weren't you?

A. Yes, sir.

Mr. Turner: In what case?

Mr. Burr: In the present case.

Mr. Calland: That was in Cuyahoga.

Mr. Burr: Well, I am coming to that in a moment.

Mr. Turner: What I wanted to find out is to find out what exhibit you are referring to.

Mr. Burr: Allensworth exhibit number 4.

Mr. Turner: Oh, you had the inside of the book, that is the reason I am asking. I thought it was in the other case.

Q. I understood you to say that that book of unit prices didn't represent the details of your unit costs in your Cuyahoga valuation, but was prepared for the use of Mr. S. G. McMeen, the President of your company, in connection with some other matter?

A. I made absolutely no such statement.

[fol. 4549] Q. Well, will you tell us just what you did say in that respect? I have not had time to look up the record.

A. I didn't say anything of that sort in the record. It is not in the record.

Q. Well, will you tell us what you did say with respect to that exhibit and Mr. McMeen, because I remember distinctly your saying something about Mr. McMeen?

A. The conversation that you are referring to took place before the bar there when you and Mr. Williams and some others were talking to the Commission off of the record.

Q. Yes.

A. And Commissioner Huffman, looking at me during the talk, remarked to me and said, "That is not in the record, is it?" And I said, "No, it is not." And then I explained that that schedule was made up for the information of Mr. McMeen. Now, I will explain further that I perhaps didn't make that up for Mr. McMeen as an individual. It was made up for my superiors, for the executives of the Ohio State Telephone lines to give them a complete explanation of the way this valuation of the Cleveland district had been built up. It was presented to Mr. McMeen in the conference at which attended Mr. G. R. Johnson, Mr. C. W. McVey and myself.

Q. And it does not contain then the details of the unit costs applied by you in your valuation, what we have heretofore termed the Cuyahoga valuation?

A. You are talking words. I just said that it did in my last answer.

Q. That is why I was inquiring because I couldn't find the reference to Mr. McMeen in the record, although I [fol. 4550] distinctly remembered that there was some reference to it and I thought that you said that this volume had no connection with your Cuyahoga valuation?

A. Now I made no such suggestion as that, and you didn't hear me say anything of that kind.

Q. I am not saying that I did, but I am telling you what my recollection was and that after trying to find what the statement was in the record, and being unable to find it, I determined to ask you.

Mr. Turner: This is all conversation that took place outside of the record, isn't it, between you and Mr. Allensworth?

Mr. Burr: That is what I could not remember, and so I looked for it in the record, and not being able to find it, I am asking Mr. Allensworth about it because he made it in the presence of the Commission.

Mr. Turner: I said to Mr. Calland that I had not heard it and it was not in the record and I wanted to know where it was.

Commissioner Huffman: That was conversation off of the record.

Mr. Burr: Yes, but what I am trying to get at is irrespective of that conversation, does the compilation marked Allensworth Exhibit number 4 contain the detail of the unit costs for your Cuyahoga valuation, that is to say, for the valuation of the Cleveland property of the Ohio State Telephone Company which you filed with this Commission [fol. 4551] in 1916 and 1917 and to which we have been referring from time to time as the Cuyahoga valuation.

The Witness: On the assumption that that may be a true copy, yes, sir.

Mr. Burr: And then we are to have the privilege of comparing it with you in order to determine whether it is a true copy.

The Witness: Well, my suggestion on the record was that if you would let me have that volume I would be very glad to check it.

Mr. Burr: There is no objection to it. I think I have stated the reason we did not do it that day was because we were using it, but you are very welcome to it now.

That, I believe, Your Honors, is as far as we can go at this time.

And thereupon by agreement of counsel and by direction of the Commission the further hearings in this matter were continued subject to the call of the Commission.

[fol. 4552] BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

No. 3307

In re Rates, THE OHIO BELL TELEPHONE COMPANY

Morning Session

Thursday, November 8th, 1928.

And thereupon the further hearing of this matter was resumed pursuant to the Call of the Commission, before

Hons. William Klinger, Chairman, J. W. Huffman and F. B. Maullar, Public Utilities Commissioners, Thursday, November 8th, 1928.

Appearances:

Same parties, by their respective counsel, as at former sessions.

Chairman Klinger: Are we ready to proceed?

Mr. Burr: We are ready to proceed with the cross-examination of Mr. Allensworth; but before proceeding with the cross-examination, it is my recollection that the record shows that the letters or quotations of The Standard Underground Cable Company to Mr. Allensworth were to be made a part of the record. Mr. Okey, the reporter, does not remember whether those have been transcribed and actually put into the record or not. I would like to have it understood that they are to be made a part of the record.

[fol. 4553] Mr. Turner: That is at your request.

Mr. Burr: No, I think you offered them.

Mr. Turner: Oh, no, we didn't offer them.

Mr. Calland: The matter of prices, as I recall it, Mr. Burr, came up not with reference to cable prices but with reference probably to poles, which I believe was the first item of the material costs taken up, and at that time, at the suggestion of counsel and at the request of Mr. Burr, all of them were read into the record. The same process was followed from then on as to cable prices. Of course we had no letters of quotations of the miscellaneous material, but an exhibit was made of those and later filed in the record. The letters were all read into the record and all appear in the record.

Mr. Burr: If I am wrong in that, I am glad to be corrected; but if not, will you read them into the record? I think you read them in too, but I would like to check the record in order to make sure.

Mr. Calland: If you want them in, we will put them in, sure.

Mr. Burr: I think you read them in part.

Mr. Calland: If they are not in and you want them in we will put them in. I was under the impression that they had all been read in. I may be wrong.

Mr. Burr: We will check the record in that respect.

[fol. 4554] And also HARRY R. ALLENSWORTH, resuming the stand for further cross-examination, having been heretofore duly sworn, continued his testimony as follows:

Cross-examined by Mr. Burr:

Q. Mr. Allensworth, is the book marked "Allensworth's Cross Examination Exhibit No. 3", called to your attention from time to time during the cross-examination, a correct copy of the books of details of the unit costs contained in your valuation of the Cleveland property of The Ohio State Telephone Company, referred to from time to time as your Cuyahoga valuation or appraisal?

A. It is.

Q. At page 2819 of the record reference was made to inconsistencies in the Company's unit costs, and you referred particularly to one claimed inconsistency, agreeing to produce any more if you have them. Have you any further illustrations of alleged inconsistencies?

A. Not at this time.

Q. In connection with your toll line, aerial wire and aerial cable construction work, what wage scales have you used in this case?

A. The same wage scales as I used for exchange construction.

Q. Have you made provision in your incidental expense for the payment of any board and lodging for members of the toll construction crews?

A. I have not.

Q. According to your method would toll construction crews work out of the exchange centers in various directions until they meet the toll construction crews working from [fol. 4555] other exchange centers?

A. In some cases, yes; in some cases, no.

Q. Under your method or theory would the men comprising such crews always return to their homes at night?

A. I have no theory other than that under which toll construction work is ordinarily conducted.

Mr. Burr: Your Honors, we do not believe that that answer is quite responsive to the question. The question is whether, under his theory or method, the men comprising the crews would always return to their homes at night. It seems to us that that question could be answered by yes or no.

Chairman Klinger: If he can, he may answer it.

Mr. Calland: If the Commission please, may I make an observation at this point? If the appraisal put in by Mr. Allensworth in this case had been built upon that theory and he had taken those things and sat down and figured out what they would cost, yes, then he could answer the question; but that was not done, and it has been made perfectly clear throughout the cross-examination that he did not proceed in that manner, and therefore the reasoning is that he did not have any theory of that kind and has not used any such theory, and therefore cannot answer it.

Chairman Klinger: He can answer it probably.

Mr. Calland: It does not make any difference, under his theory of this appraisal, whether they return to their homes at night or stay on the jobs or camp out or go to a hotel, the result would be just the same.

Chairman Klinger: That can be brought out, of course; he may answer if he can.

[fol. 4556] The Witness: If Your Honors please, it is impossible for me to answer that question yes or no, for the reason that the question reads as follows: "Under your theory would the men comprising such crews always return to their homes at night?" My answer to that is, I have no theory other than that under which toll construction work is ordinarily constructed. Now, for the information of the Commission, if you please, my unit costs are set up in the basis of the average amount of labor performance required in each particular construction operation. In the case of toll unit costs city wage rates have been used. The city wage rates, of course, are higher than the wage rates ordinarily paid for construction work outside of the city; but in such case the Company bears the burden of the board and lodging of the workmen. This question as it reads opens up a very, very big subject, which cannot be answered yes or no, in justice to my valuation.

Mr. Burr: Your Honors, Mr. Allensworth has touched the high point involved in this question. He states to Your Honors that he has applied exchange wages to his toll construction work or costs. In other words, the toll property is to be reproduced at exchange rates of pay or wages.

Mr. Turner: Which are higher; the exchange rates of wages are higher, are they not?

Mr. Burr: The exchange rates of wages are higher; but when the men are on toll construction work they are paid

wages plus their board and lodging. The dollars which the exchange men receive are more than those which the toll construction crews receive, but in addition to the dollars received by the toll construction crews, they receive board and [fol. 4557] lodging.

Now, Mr. Allensworth's construction costs are built on the theory that exchange rates of pay will be paid to the men engaged in that toll construction work; therefore, we ask him whether, under his theory, these exchange men who are to work at exchange wages on toll construction work are expected to return to their homes at night or not. It is a perfectly simple question.

Chairman Klinger: You have reference if they are from town and go out on the truck of the company and are brought back to town; that is what you mean?

Mr. Burr: Exactly so. We want to know whether under his plan or method they would return to their homes at night.

Mr. Calland: Just one further observation before the Commission passes on that question, because I want to point out that we are talking about two entirely different things. Mr. Burr is directing questions as to the method of construction work. Mr. Allensworth is talking about a method of arriving at costs. Now it is not a question of how this work is to be done; it is a question of what it is going to cost, and he set up in his appraisal what it will cost, and he has chosen to use in his toll construction unit costs the wage rate paid for exchange work, which is higher than the toll rate, because of this condition of having to pay board and lodging. Now the dollars received by the exchange men—the dollars received by the toll men is less, but the actual consideration is the same.

Mr. Burr: That is not in the record.

[fol. 4558] Chairman Klinger: It seems to me the question involved in Mr. Burr's question is simply whether he contemplates taking the men to town or not in the Company's truck.

Mr. Calland: But he did not contemplate it at all and did not give it any consideration and did not need to in arriving at his costs.

Chairman Klinger: That is for him to say.

The Witness: Well, if I may, if the Commission please, answer the remarks of counsel for the Company, counsel for the Company——

Mr. Burr: We object to that.

The Witness: Counsel, when he was addressing his remarks to the Commission——

Mr. Burr: We object to that, Your Honor.

Chairman Klinger: Mr. Allensworth, it seems to me you can answer whether you did or did not take that factor into consideration in computing your items of cost.

Mr. Calland: Could we have his answer read?

(Answer read.)

Mr. Calland: Now, if you can add a further statement which will completely answer Mr. Burr's question, go ahead and explain fully why.

Mr. Burr: May I repeat the question?

Chairman Klinger: If he understands it; if not you may read it. You remember the question, do you?

The Witness: Yes, sir.

Chairman Klinger: Well, just go ahead then and answer it.

The Witness: Mr. Burr, in his discussion in my office on [fol. 4559] this subject,——

Mr. Burr: Oh, I object to that.

The Witness: Repeatedly went back to this——

Mr. Burr: I object.

The Witness: To the form of this question as he asks it now in this hearing. I think that every time that the question came up I explained to Mr. Burr that he insists in putting in this question the words, "Under your theory", and——

Mr. Burr: I object to that.

The Witness: Which is not a fair way to ask the question.

Mr. Burr: I object.

The Witness: I explained to him several times——

Mr. Burr: I am sorry to interrupt you, but——

Chairman Klinger: That is argument by the witness. The question is, did you or did you not? If you did not, say so; and if you did, say so. That is all.

The Witness: There is no place——

Chairman Klinger: You have a unit here that you have established and he wants to know now how you built it up.

The Witness: There is no place in my unit costs and no place in my direct-examination and answers to questions on direct-examination, and no place in my testimony in answer-

ing the questions on cross-examination have I stated, nor have a made any statement that would lend the inference that I have used, in my toll construction, men in the city driving out to the job each morning and returning to their homes at night.

Mr. Burr: He has built his appraisal of the toll property on exchange rates of pay; necessarily it follows that ex- [fol. 4560] change men would do the work; they would be exchange men because they are paid exchange wages; and our question is whether under his theory or plan the men comprising these toll construction crews would return to their homes at night. That is all that there is pending before the Commission.

Chairman Klinger: Can you answer it?

The Witness: Yes, sir, I can answer that observation by the statement that I did not do anything of the kind in my unit costs.

Mr. Burr: The question has not been answered.

Chairman Klinger: I understood him to say he did not.

Mr. Burr: No, he did not say that. Will you read the answer?

(Answer read.)

Mr. Burr: The question is, whether the men comprising the crews would return to their homes at night.

Commissioner Maullar: He said he did not give any consideration to it.

Mr. Burr: But it seems to me——

Commissioner Huffman: Unless that allowance is included in the rate paid for toll and the rate paid for exchange——

Mr. Calland: And incidental cost——

Mr. Burr: The question had not yet been answered.

Commissioner Maullar: I gather from his testimony, if I understand his answer, he had a blanket exchange rate for all work, whether toll or exchange, without any specific allowance other than the variation between the exchange [fol. 4561] and toll rates.

Commissioner Huffman: And the exchange rate being higher, applying that to the toll, it would make the difference between the cost of board and lodging.

The Witness: It does, yes, sir.

Mr. Burr: The question is whether the men comprising the crews would return to their homes at night.

Commissioner Huffman: There is only one deduction, and that is that they may or may not; the witness does not care.

Mr. Burr: Note my exception to the failure of the witness to answer the question, and we will proceed.

By Mr. Burr:

Q. When not so returning, that is to say, returning to their homes at night, would those men engaged in toll construction work be expected to pay for their own board and lodging instead of the Company paying for it?

A. The same answer as last given.

Mr. Burr: Now, Your Honors, certainly——

Commissioner Maullar: In other words, you have made no specific allowance for board and lodging?

The Witness: Yes, sir, I made an allowance for board and lodging, if you please, in the wage rate.

Commissioner Maullar: In other words, you expected the difference in the exchange and toll charges for service to make up for any personal expenses of the crews?

The Witness: Exactly so, Mr. Maullar.

By Mr. Burr:

Q. What part of your exchange wages represents board and lodging then?

A. I have made no separation of that.

[fol. 4562] Q. Can you?

A. Not without a very extended mathematical calculation I could not.

Q. Will you do it for us, please?

A. No, sir.

Q. What would be the average number of miles that each toll construction crew would work from a given exchange center?

A. I have made no estimate of that mileage.

Q. Can you do it now?

A. No, sir; that is,—pardon me,—I have not completed my answer. I could make such an estimate but I have not done so.

Q. Will you do it?

A. No, sir.

Q. What provision have you made for the transportation cost of the 22 or 23 men in your toll construction crews to and from the job each day?

A. Transportation expense as such is provided for in the incidental expense. Conveying of workmen to and from the job to the extent required is provided for in truck equipment and incidental expense.

Q. What part of the incidental expense represents that cost?

A. I make no separation of incidental expense.

Q. The question is, what part of the incidental expense represents that cost?

A. The answer is, I make no separation of incidental expenses.

Chairman Klinger: Can you answer it from the information you now have? If you cannot tell him, you can say so.

The Witness: Well, if Your Honor please, I have not made any separation of those charges. Now, if counsel is asking me, can I make such a separation, the answer would be yes; but I have not made any such separation.

By Mr. Burr:

Q. Will you please do it?

[fol. 4563] A. No, sir.

Q. What part of your truck expense is transportation expense for workmen?

A. I make no such separation of truck expense.

Q. Can you, and will you, please?

A. I will not attempt any such separation at this time, no, sir.

Q. What provision have you made for the transportation of toll construction tools to and from the job?

A. The ordinary transportation of such tools would be in truck expense, and any unusual transportation cost of the tools would be included in the incidental expense.

Q. What part of the incidental expense is represented by that cost?

A. I make no separation of incidental expense.

Mr. Burr: There again we think that the answer is not responsive to the question.

Mr. Calland: Do you want him to say, could he do it or has he done it?

Chairman Klinger: The witness can state whether he did.

Mr. Calland: He said that he did not; that is his answer, that he did not make it; whether he can or not is another question.

By Mr. Burr:

Q. Can you, and will you do it?

A. I could make such a separation but I will not do so, no, sir.

Q. Can you give any analysis of your incidental expense for toll construction?

A. I make no separation of incidental expense.

[fol. 4564] Q. Can you do it?

A. I could, if the time was sufficient; it would be a very elaborate and extended mathematical calculation and I have made no such separation.

Q. Will you do it?

A. No, sir.

Q. Can you, and will you do it for any class of property covered by your appraisal?

A. I will not.

Mr. Calland: Right there, Mr. Burr, the way you ask the question, of course you are referring still to incidental expense?

Mr. Burr: Yes.

Q. According to your method would your toll construction crews travel on their own time to and from the job each day, however far the job may be located from the nearest exchange center?

A. The labor performance upon which my unit costs are erected provides for all unproductive time.

Mr. Burr: The answer, Your Honors, is not responsive to the question. It can readily be answered by yes or no.

Mr. Calland: The same situation again; they are asking the same question about another phase of this same thing.

Chairman Klinger: I just suggest, if the witness can answer, he can say so.

Commissioner Huffman: Answer yes or no if you can and then proceed to make your explanation. That is the rule.

Mr. Calland: He answered the other, that it did not make any difference in the appraisal whether they did or did not. The same answer here. It is just the same thing in another form.

Mr. Burr: Of course, that is Mr. Allensworth's theory and [fol. 4565] we have our own theory.

Chairman Klinger: He is answering the question according to his idea.

The Witness: If Your Honors please, that question cannot be answered yes or no without some amplification of the question. The question reads——

Mr. Burr: Will you first answer it yes or no?

Commissioner Maullar: He just asks if he did.

The Witness: If you will pardon me, Mr. Burr, I am answering the question. If the Commission please, this question reads as follows: "According to your method would your toll construction crews travel on their own time to and from the job each day, however far the job may be located from the nearest exchange center?" Now to me, as an engineer, that first raises the question "What men will travel on their own time"; "to what jobs will they travel on their own time" and "how far are those jobs located from the exchange center". The question of itself is ambiguous and cannot be answered yes or no. I can give a very good answer and explanation. The labor performance upon which my unit costs are erected provides for all unproductive time.

Q. Now I will put the question in this way; you have applied to the toll construction property costs exchange rates of pay; would your toll construction crews, paid at exchange rates, travel on their own time to and from the job at any time?

Mr. Calland: Now, if the Commission please, I object to the question because Mr. Burr has now asked the question in a way which hooks this question up again with the [fol. 4566] *with the* matter of the exchange or toll rates, whereas Mr. Allensworth answered already in the record that it is a matter of labor performance this time and not wage rates.

Mr. Burr: I framed the question that way because Mr. Allensworth objected to the form of the question as put.

Mr. Calland: Well, you are assuming that it is wage rates here and it is not. It is labor performance this time.

Mr. Burr: May we have an answer to the question?

Chairman Klinger: If the witness can answer, he may; and if he cannot, he may say so.

(Question read.)

A. Yes; if they were new men and were taken out of one territory into another, they would probably go by railroad or truck and the transportation expense would be in the incidental expenses.

Q. Where have you ever experienced or known of extensive toll construction performance in which the toll construction crews traveled on their own time to and from the job, however far the job might be located from the nearest exchange center?

A. I have not outlined any plan other than that under which toll construction work is ordinarily conducted.

Mr. Burr: There again we insist the answer is not responsive.

Mr. Calland: It is the same situation as before.

Mr. Burr: The question is, "Where has he ever experienced or known of extensive toll construction performance in which the toll construction crews traveled on their own [fol. 4567] time to and from the job, however far the job might be located from the nearest exchange center".

Chairman Klinger: It is just a question of your observation and personal knowledge. If you do not have any, say so.

The Witness: If Your Honor please, I have at no place testified, and my unit costs do not show, and in answer to this question I have not stated that I did anything of the kind in my unit costs.

Chairman Klinger: That is what you mean to say then, that you do not know and did not take that into consideration?

The Witness: I did not take any such circumstances into consideration; of course not.

By Mr. Burr:

Q. Have you ever experienced—that is the question. It can be answered by yes or no.

Chairman Klinger: He may answer if he knows.

The Witness: Have I ever experienced or known of extensive toll construction performance in which the toll construction crews traveled on their own time to and from the job, however far the job might be located from the nearest exchange center; yes.

Q. Was not your amount for incidental expense in the present case $1,066,883.34, and was not that an average of nine per cent of your total direct labor cost for all outside plant?

A. Yes.

Q. Upon what experience is your amount for incidental expense in this case based?

A. It is based upon my experience and is my opinion of the proper amount for that item.

[fol. 4568] Q. Is it based upon any actual cost experience of yours or of any telephone company?

A. It is my opinion based not upon actual telephone construction experience but upon my knowledge of the cost of telephone construction work.

Q. Do you know of any company having 10,000 stations or more which experienced, as of June 30th, 1925, or any other date, an incidental expense percentage as low as nine per cent of its total direct labor cost for all outside plant?

A. No, because I know of no company as of that date or any other date using exchange wage rates for toll construction.

Q. How much of your incidental expense is represented by the traveling expense of employes?

A. I make no separation of incidental expense.

Q. The question is, how much?

A. The answer is, I make no separation of incidental expense.

Mr. Burr: We submit that does not answer the question.

Chairman Klinger: Do you mean to say you cannot give it because you have not——

The Witness: I have not made any separation, and therefore I haven't those elemental parts, if Your Honor please.

Q. The question of Mr. Commissioner Klinger was whether you can give it?

A. I cannot, because I have not made that calculation. If I had made the calculation, of course I could give it.

Q. Will you make it?

A. No, sir.

Q. How much of the incidental expense is represented by other items?

[fol. 4569] A. I make no separation of the incidental expense.

Q. Well, can you, and will you make that separation?

A. I could have; whether I can or not is another question, but I will not.

Q. In terms of percentage what is your allowance in the present case for incidental expense in respect of toll poles?

A. 18¾ per cent of my total direct labor cost.

Q. What was your percentage allowance for the same item in the Tri-State case?

A. 52.3 per cent.

Q. In terms of percentage what is your allowance in the present case for incidental expense in respect of toll aerial wire?

A. 20 per cent of my total direct labor cost.

Q. What was your percentage allowance for the same item in the Tri-State case?

A. 63.8 per cent.

Q. In terms of percentage what was your allowance in the present case for incidental expense in respect of toll cross-arms?

A. 18¾ per cent of my total direct labor cost.

Q. What was your percentage allowance for the same item in the Tri-State case?

A. 53.3 per cent.

Q. Were not those percentages representing your incidental expense allowances in the Tri-State case percentages of your total direct labor cost as in the present case?

A. Yes.

Q. And were not those percentages in that case based on the actual experience of that company?

A. Yes. But in each case the percentages referred to were greater than the actual experience of the Tri-State Company.

Q. Have you valued the property of The Ohio Bell Telephone Company as of any date other than June 30th, 1925?

[fol. 4570] A. No. But I did appraise the property comprised in the Cleveland Division of The Ohio State Telephone Company as of April 1, 1914. Some of this property was undoubtedly abandoned before the merger of that company into The Ohio Bell Telephone Company. Some of this property may have been a part of The Ohio Bell Telephone property as of June 30th, 1925.

Q. Please take any one of your average total direct labor costs and tell where you have experienced like or as low labor costs for like work as of June 30th, 1925, or thereabouts?

A. I know of no telephone company in Ohio having done such work at those costs or any other costs as of June 30th, 1925, or thereabouts.

Q. Please take as a random example your total direct labor cost for a 300 pair 22 guage aerial cable, shown on page 8 of your exchange and toll aerial cable costs, which

will be subsequently marked for identification Allensworth's Cross-Examination Exhibit 6, the cost being $.14498, and tell how you arrived at that amount and what the amount includes?

A. Splicing	$.054457
Labor on Miscellaneous Material	$.030368
Erecting Cable	$.056461
Return of empty reels	$.000777
Distribution	$.002917
Total	$.144980.

Q. Those costs are per what?

A. Per foot.

Q. And will you also give the performance on which your splicing costs are based?

A. I could not do that, Mr. Burr, as I have already explained to you several times, without a very extended operation. Pardon me, I will continue that answer. The aver- [fol. 4571] age performance for splicing aerial cable, however, may be obtained by dividing my splicing labor cost by $1.6062, which represents the cost per hour of a typical splicing crew.

Q. At pages 2944 and 2950 of the record it was agreed that you would furnish the Company with the details of your total toll and exchange labor costs. Do those compilations marked "exchange and toll aerial cable", "exchange and toll underground cable", "exchange and toll poles and wire", "exchange and toll underground conduit and lines", "exchange underground conduit", "paving over conduit and manholes", marked "Allensworth's Cross Examination Exhibits 6, 7, 8, 9 and 10", show those detailed costs?

Mr. Calland: Before he answers the question, those exhibits have been prepared from the data furnished subject to our check for accuracy.

Mr. Burr: Mr. Allensworth saying they are subject to our check.

Mr. Calland: Yes.

The Witness: Yes, sir, with the qualifications stated.

Q. You were also asked to show the performance, that is to say, the number of units of plant placed per man or per

gang per day, corresponding with your total toll and exchange labor costs for each item of plant. Does the compilation marked "Labor Costs and Performance", and further marked "Allensworth's Cross Examination Exhibit 11", correctly show that performance?

A. It does, with the qualifications as stated in answer to the previous question.

[fol. 4572] Q. That is to say, subject to your check?

A. Yes.

Q. In respect of the various average performances provided for in your Allensworth's Cross-Examination Exhibit 11, showing the number of plant units placed or performed per man per day, please state your authority or basis for those performances; for example, the number of holes dug per man per day and the number of poles set per gang per day, and the like?

A. Those average performances are based on my opinion as an engineer of the rate at which I would expect that kind of work to be done were I in charge of the reproduction of the property.

Q. Can you cite to the Commission any telephone company engaged in extensive work of the kind covered by your performances, and which experienced, at or about June 30th, 1925, average performances such as those set forth in your cross examination exhibits, for example: Do you know of any company which, in Ohio, as of June 30th, 1925, or thereabouts, experienced an average digging performance of three and one-half poles per man per day for thirty foot exchange poles, or experienced an average setting of 35 twenty-five foot exchange poles per day, using two linemen and five groundmen for that purpose; or which experienced any other of the performances shown in your exhibit?

A. I know of no telephone company in Ohio having experienced such performance or any other specific performance as of June 30th, 1925, or thereabouts.

Q. Are your average performances shown in that exhibit based on any time studies applicable to the various classes [fol. 4573] of work covered by the exhibit?

A. If you mean by this question the timing of men with a stop watch, no. I do not believe that such time studies serve any useful purpose in a valuation of this kind.

Q. Please explain fully the process by which you arrived at a composite cubic yard cost for excavation, back-fill and loading surplus earth?

A. I first determined the total amount of cubic yards of excavation required for the total length of each size of trench shown in the company's inventory. To this excavation amount I applied an average labor cost for excavating. I also computed how much of the earth excavated would be back-filled and to that I applied an average per cubic yard labor cost. I also computed the amount of excess dirt which would be hauled away. To this amount of excess dirt I also applied an average per cubic yard labor cost. The sum of the costs for these three operations, divided by the total cubic yards of dirt excavated, gave me what I denominate my composite unit cost for excavating, back-filling and loading excess earth.

Q. Please state the number of cubic feet of excavation per man per hour used in your trench digging costs?

A. My units require a performance of 7.2 cubic feet per man per hour, which is a composite for the operations of excavating, back-filling and loading excess dirt. In other words, the total amount of work performed by a gang excavating, back-filling and loading surplus, divided by the number of men in the gang, multiplied by the number of days worked, will produce the average amount 2.4 cubic yards per man per day, or 7.2 cubic feet per man per hour. [fol. 4574] This average includes pavement cut for excavating.

Q. Will you split your back-fill and loading per cubic foot cost of .02069 as between those two items?

A. That is an average amount and applies to both back-fill and loading.

Q. What would be the size of the truck engaged in hauling away surplus earth and its average length of haul per trip?

A. A five ton truck. The average length of haul was not considered in my computation, although I used nine trips per day.

Q. What is included in your cost of measuring and surveying lines?

A. I have no such item in my reproduction cost. I have in my reproduction cost the item "Chaining and Stencilling". It provides for the cost of chaining the line for locating transpositions and loading pots and stencilling poles.

Q. Will you please explain in detail how you arrived at your digging performance of 4 1/6 average size pole holes

per man per day together with the computations by which you arrived at that figure, and also do the same thing for your figure of 1.84 holes per man per day which you have said is the company's digging performance for average sized pole holes per man per day?

A. All the data and details necessary for making this computation are already in the record and the details of unit costs supplied to the company. To again make these computations would require a great deal of time and would supply the company with no information which they do not already have. I am advised by counsel not to undertake this computation.

[fol. 4575] Mr. Burr: In that connection, Your Honors, we are unable to compute from any data in the record Mr. Allensworth's digging performance of 4 1/6 average size pole holes per man per day. Will Mr. Allensworth point out where those details are to be found in the record? What we would like to have Mr. Allensworth do is to point out where in the record the details and data necessary for the making of the computation are to be found.

Your Honors will understand that there are literally thousands of figures in this record, and we have been unable to compute from anything in the record Mr. Allensworth's average holes per man per day—average size pole holes per man per day.

Mr. Calland: If the Commission please, with the understanding that the difficulty here is not that they get a different result from the figures given by Mr. Allensworth, but the inability to determine from an examination of the record what the elements are that are used in making the computation, we will undertake to assist in pointing out what those are. The reason suggested by counsel, the tremendous size of this job, we do not intend to make the computation. If they can make it and find a different result, that is for them to do.

Mr. Burr: Mr. Allensworth must have made a computation.

Chairman Klinger: Counsel suggests he will give the items from which they are worked.

Mr. Calland: We can give a suggestion as to how it was [fol. 4576] done, but to attempt to dig it all out again would be doing it for them. We can tell them where it is and how to find it.

Mr. Burr: May this be understood, that Mr. Allensworth will show us the details whereby he arrived at the computation and how he arrived at it?

Mr. Calland: It will not be so understood, because that is a matter of going through all the records and figures and finding it for you. It is in the record and I think you have engineers in your organization who are thoroughly capable of doing that as well as to have Mr. Allensworth do it for you.

Mr. Burr: This is a very important question, Your Honors. The witness has testified over and over again to an average pole digging performance of 4 1/6 average size pole holes per day. On that performance he bases his pole costs. Now we have asked him to tell us how he has computed it, and we are met by a refusal to do it. To me it is almost incomprehensible. It is one of the vital things of the case. Mr. Allensworth himself must have made a computation, else his testimony is worthless on that subject. Now we are asking him to show us how he arrived at that average digging performance and it certainly is proper.

Mr. Calland: Just a minute——

Chairman Klinger: Possibly we can save time. Maybe the witness can clarify it himself.

The Witness: If the Commission please, the statement just made by counsel for the Company is not so.

Mr. Calland: That is what I was going to raise; let me [fol. 4577] make an observation. I think it is perfectly apparent to Your Honors from these figures that Mr. Allensworth did not set down and say it is going to take 4 1/6 —a fraction of a pole, as a basis of unit costs. He determined his unit costs and then figured out by a process of mathematical calculation what that would amount to in labor performance. They have the same data to do it that he had when he made it, and they can do it as well as he can.

By Mr. Burr:

Q. Didn't you testify to an average hole digging performance of 4 1/6 holes per day?

A. I testified, if you please, Mr. Burr, that the total amount of labor in my reproduction cost appraisals provided for hole digging costs, and, averaged over all the poles in the property, equalled 4 1/6 per day.

Q. Working it backwards, your hole digging performance contemplated in your unit costs is at the rate of 4 1/6 holes per day?

Mr. Calland: Average.

Mr. Burr: Now we ask Mr. Allensworth how he arrived at that and to please show how he arrived at it.

Chairman Klinger: If he can add anything to what he has already stated, he may do so.

The Witness: I have nothing more to add, Your Honor.

Mr. Burr: We insist on an answer to our question. If the Commission rules against us, that we are not entitled to it, very well, but we want to make the record.

Chairman Klinger: I don't know; I understood he has told you how he did it.

[fol. 4578] Mr. Burr: Oh, no.

Mr. Calland: Mr. Allensworth took the figures that are in the record and the data which has been furnished to the Company and figured this out and answered the question that it meant an average of approximately 4 1/6 poles per day. Now they want him to do it all over again. We haven't the figures. It means refiguring the whole thing. They have all the information he would use. We are willing to assist them as far as we can in the elements if they do not know what they are, but to do it for them, we are not going to do it again.

Mr. Burr: Let me state again, if Your Honor please, Mr. Allensworth testified in chief to an average hole digging performance for average size poles of 4 1/6 holes per man per day. We are now asking him to tell us how he computed that. It is vital to this case. If holes can be dug at the rate of 20 a day, that is one thing, and affects the cost to that extent. If the performance is one-half of a hole per day, that is equally vital and affects directly the cost.

Now he has testified to a performance of 4 1/6 holes and we are asking him how he arrived at it.

Mr. Calland: If I may say——

Mr. Burr: I cannot quite understand the unwillingness of the other side to permit the witness to answer that.

Mr. Calland: I want to make that clear——

Chairman Klinger: Just a moment. We will hear Mr. Calland, but my understanding is that there was not any unwillingness.

Mr. Calland: If we had plenty of time and money and nothing else to do we would be glad to do it.

[fol. 4579] Mr. Burr: What has the question of money to do with trying to get at the truth as developed, as we hope to, by the cross-examination?

Mr. Calland: I will answer that observation.

The figure which we are now talking about came out, as Your Honors will recall, in comparisons which showed up in an analysis which Mr. Allensworth made of the Company's set-up in this case and his set-up, and he testified that upon the basis of cost for poles which he used that the performance would be 4 1/6 average size pole holes per man per day; that the comparable figures used by the Company only contemplated a performance of 1.84 holes per man per day. He made a calculation and so testified for comparative purposes. All the information and all the data upon which he made both those calculations are in this record, and in the figures furnished to the Company. If they are not, we will furnish them. Now they want us again to figure it out. They can take those figures and arrive at any result; if they find they are wrong they can put a witness on the stand and have him say so.

Mr. Burr: That is not the point. Mr. Calland has interjected into the discussion the other half of the question; I was going to save that until we got to it, but since the two halves of the question are more or less dependent on each other, I will discuss that part of the question now.

Mr. Allensworth testified in chief that his performance—I think I am correct in stating it this way—contemplates an average hole digging performance of 4 1/6 holes per day as against the Company's performance of 1.84 average holes [fol. 4580] per day. Now we are asking him how he arrived at those two amounts, in making that comparison. That is what we are asking for and I think we are entitled to it.

Mr. Calland: And my answer is that he took figures which you have and figured it out. We say we do not intend to do it again.

Chairman Klinger: Is that your answer, that you took the figures that the Company gave you?

Mr. Calland: That is what he said.

The Witness: Oh, yes, if Your Honor please; I would like to correct the last statement of Mr. Burr. He again misrepresented what I did, perhaps unintentionally, but what those figures represent is this, that the labor cost contained in my reproduction cost would require a performance of 4 1/6 holes per man per day, and on the same basis of comparison the amount of labor cost contained in the Company's reproduction cost would require a hole digging performance of 1.84 holes per man per day.

Chairman Klinger: I think I understand it.

Mr. Burr: I am not at all sure that Mr. Allensworth has correctly quoted the record, but granting, for the purpose of argument, that he has, now we ask him how he arrived at those two figures, and they will not tell us.

Mr. Calland: We have told you; it is all in the record.

Chairman Klinger: Do I understand counsel to state it is in the record, both Mr. Allenworth's computation and yours?

Mr. Turner: The figures upon which the computations [fol. 4581] are made are in the record.

Mr. Burr: 10,000 figures; we don't know what ones he used, and *what* is what we are asking for.

Chairman Klinger: If he can answer it more definitely, he can do so.

The Witness: I could not, if Your Honor please; it is a very extensive computation.

By Mr. Burr:

Q. And won't you make it for us?

A. I am instructed by counsel not to attempt it.

Mr. Burr: If Your Honors please, this is not an inquisition. What we are trying to do is to get at the facts. Certainly we are entitled to this information on cross-examination.

Chairman Klinger: Are counsel prepared to give them the particular figures?

Mr. Calland: Certainly not; if we had the computation we made we could give it to them. We are not trying to conceal anything; it is simply impossible for us to do it.

Mr. Burr: How did you make it in the first place? That is what I want to know.

Mr. Calland: As I say, if Mr. Allensworth can sit down and in an hour's conference educate them a little and show them how to figure a simple thing like this, to figure it out, we will be glad to do it. But to do it ourselves, we won't do it.

Mr. Burr: If it is so simple——

Chairman Klinger: May I ask the witness if he can give counsel the information he is seeking or tell him where he can get it?

[fol. 4582] The Witness: Yes, Your Honor. The information is all either in the record or in the detail already furnished to the Company.

Now, as to the process, that is a very lengthy arithmetical process—must be necessarily, and it would take a lot of time to go through that and do it all over again.

Mr. Burr: Your Honors, this is the most anomolous situation I have ever seen in a proceeding of this kind. Here is a witness who makes a comparison of two amounts, one of his own and one which he says he has derived from the Company's costs; we ask him how he arrives at those two figures; he must have made some computation in the first place to have arrived at them, else his testimony is of no probitive value on this subject.

We have asked him for it and all that we get by way of an answer is that some way, some where, in these thousands and thousands of figures which he has furnished, are the particular figures from which that can be computed. You might just as well ask where the needle in the haystack is and have some one say to you "It is in the haystack".

Chairman Klinger: I really don't know just how to approach the matter. I suppose if the witness could give it more definitely, he would.

Mr. Calland: Why, certainly.

Commissioner Huffman: Well, failure to give it will have to go to the weight.

Commissioner Maullar: Sure; that is all there is to it.

Mr. Burr: Note our exception to the failure of the wit-
[fol. 4583] ness to answer the question.

Q. What was the period used by you for reproducing the physical property and the business in your Cuyahoga valuation?

A. Five years.

Q. What was it in your Tri-State valuation?

A. Seven years.

Q. What was the period used by you for reproducing the physical property only in the present case?

A. Five years.

Q. In respect of your construction program, referred to at page 2153 of the record, we understand that you have no diagram or computation showing by quarterly or other periods, how the construction, installation or erection of the several classes of plant would progress?

A. That is correct.

Q. How long, in your judgment, would be required to reproduce both the physical property and the business of

The Ohio Bell Telephone Company as of June 30th, 1925?

A. I have made no study of reproduction cost of the business of that company.

Q. Ought not the figure which you gave at page 2954 of the record as $477,823.00 be $479,923.00?

A. It should.

Q. Was not your labor unit cost per mile for handling and erecting No. 12 B. W. G. exchange bare iron wire in your Cuyahoga valuation $10.00?

A. It was.

Q. And was not your labor unit cost per mile for handling and erecting the same kind of wire in the present case also $10.00 per mile?

A. It was.

Q. Was not your labor unit cost per mile for handling [fol. 4584] and erecting No. 14 B. & S. exchange copper wire in your Cuyahoga valuation $12.00 per mile?

A. It was.

Q. And was not your labor unit cost for handling and erecting the same kind of wire in the present case $10.00 per mile?

A. It was.

Q. In your Cuyahoga valuation were not the drop wires about evenly divided between twisted pair on the one hand and open wire on the other?

A. Approximately so.

Q. Was not the average length of drops in your Cuyahoga valuation 125.25 feet?

A. I think so.

Q. What kind of drops was the Cuyahoga Company installing in the years 1912, 1913 and 1914?

A. I don't know.

Q. In your Cuyahoga valuation what was the basis of your $2.08 labor cost per drop?

A. That figure is based upon the average actual cost of 347 drops installed by the Cuyahoga Company in January, February, April and May of 1914. I do not know the kind of drops installed during those months.

Q. In order to have the comparison in the record at this point, will you please tell the Commission this, as against your labor cost of $2.08 per drop in the Cuyahoga valuation, what is your labor cost per drop in the present case?

A. I do not remember.

Q. Wasn't it about $1.40?

A. Something like that.

Q. What is the total expense represented by the light truck and driver, included in your direct labor costs in this case?

A. I have made no separation of this item in the aerial cable, underground cable or underground conduit classifications.

[fol. 4585] Q. Can you and will you do it?

A. I will not. I could if I had the time and facilities.

Q. What are the various cost items comprising your general expense in this case?

A. All construction costs, such as insurance, salaries of executives, legal expense, office rent, heat, light, stationery, workmen's compensation or its equivalent.

Q. Were not your allowances for omissions and contingencies in the Cuyahoga valuation 3.70 percent and 3.15 percent, respectively, and were they not computed on the total labor and material costs?

A. Yes.

Q. Was not your allowance for engineering and superintendence in that valuation 3.57 percent of the total labor and material costs?

A. Yes.

Q. And your allowance for general expense in that valuation was 2.05 percent of the total material and labor costs, was it not?

A. Yes.

Q. In addition to the items just mentioned, did you not in that valuation also allow interest during construction at the rate of 3.96 percent of total labor and material costs, and of the engineering and superintendence, legal expenditures during construction, general expense, omissions and contingencies?

A. Yes.

Q. In that same valuation did you not also allow 1.59 percent of the total labor and material costs and of the engineering and superintendence, legal expenditures during construction, general expense, omissions and contingencies for the item of taxes during construction?

A. Yes.

Q. In that valuation did you not also allow 1.73 percent [fol. 4586] of your total labor and material costs for legal expenditures during construction?

A. Yes.

Q. The sum of these undistributed construction expenditures is what, in percentage, of your total labor and material costs in that case?

A. 19.75 percent.

Q. As compared with that 19.75 percent, what is your percentage allowance for undistributed construction expenditures in the present case?

A. 15 percent.

Q. What do you understand by the term "total labor and material costs", as used in the preceding questions?

A. In what you denominate the Cuyahoga appraisal, total labor costs comprise the items unloading, yard work, cartage to point of use, labor at point of use, tools and appliances, time keeping and accounting, employers liability and public liability insurance. Total material costs in that case comprise the items cost of unit material, purchasing, inspecting, yard charges, incidental material and breakage, loss and waste, all applicable to outside plant.

Q. Do you mean to say that the 19.75 percent does not apply to such items as land and buildings?

A. No, sir; you did not ask me any such question, Mr. Burr. Your question was, "What do you understand by the term 'total labor and material costs', as used in the preceding questions". I told you what was comprised in the labor and material costs, limiting my answer to outside plant.

Q. Does not and did not the 19.75 for undistributed construction expenditures apply to the entire property in that case?

A. I do not remember exactly, Mr. Burr. I suspect that it may have.

[fol. 4587] Q. You do not deny that it did?

A. No.

Q. Isn't that your best recollection, that it did?

A. That would be my best recollection at this time.

Mr. Turner: Of course this is outside of these questions that we have here. These questions and answers have been prepared ahead of time. The reason he is not able to answer that is because it was not submitted before.

Mr. Burr: The reason was that he expanded his answer as originally given.

Mr. Calland: Oh, I am not objecting to that. I want the record to show why he did not have the information ready, because it was not in these original questions.

Mr. Turner: The only expansion was limiting it to outside plant.

Q. To make the record entirely clear, let me ask you whether that 19.75 per cent for undistributed construction expenditures was not 19.75 of the entire property of the company in that case?

A. I suspect it may have been.

Q. That is your best recollection?

A. That is my best recollection, yes.

Q. In your labor costs used in the Cuyahoga valuation did you not include an allowance of 3.1 per cent and 3 per cent, respectively, of your total direct labor cost, supervision and tool expense for the items of employes liability insurance and public liability insurance?

A. Yes.

Q. What was your total reproduction cost new in your Cuyahoga valuation?

A. $6,228,140.89.

Q. What was your direct construction cost plus undistributed construction expenditures, sometimes called gen-
[fol. 4588] eral construction overheads, in your Cuyahoga valuation?

A. $4,783,469.00.

Q. What was your amount or allowance for working capital including supplies in that case?

A. $151,552.00.

Q. What was your allowance in amount and percentage for the cost of establishing business in that case?

A. $551,972.00. This amount was not figured as a percentage of any other amount. It happens to be, arithmetically, 11.54 per cent of the $4,783,469.00 heretofore given.

Q. In addition to your amount for undistributed construction expenditures in your Cuyahoga valuation, did you not include and allow the sum of $442,744.00 for the item of preliminary expense?

A. The amount I included in that appraisal for that item was $442,744.00.

Q. Well, the answer to the question is "yes," isn't it?

Mr. Calland: No, it is not "yes"; he has given his answer.

Q. Was the $442,744.00 included in your allowance for undistributed construction expenditures in that case?

A. It was not.

Q. Isn't that $442,744.00 for preliminary expense in that case 9.26 per cent of the reproduction cost new of your total labor and material costs and all such undistributed construction expenditures as omissions and contingencies, legal expenditures during construction, general expense, engineering, interest during construction and taxes during construction?

A. The amount stated in my last answer was not figured as a percentage of any other amount. It happens to be, [fol. 4589] arithmetically, 9.26 per cent of the items mentioned in your question.

Q. In arriving at 1.59 per cent for taxes during construction in your Cuyahoga valuation, did you not arrive at it as the result of a detailed computation of the proper amount to be allowed for taxes during construction in that case?

A. Yes.

Q. How did you arrive at your one per cent for taxes during construction in this case, and can you give any computation which you used as a basis for that per cent?

A. As an engineer specialist in public utility economics, that is the amount I would budget for the item "Taxes during Construction" were the property of The Ohio Bell Telephone Company to be reproduced as of June 30th, 1925. The amount used is not the result of a detailed computation.

Q. The question is, can you give any computation which you used as the basis for that per cent?

A. I have already stated that I used no computation.

Q. Can you give us any computation or give to the Commission any computation showing how you arrived at that one per cent?

A. Of course I could make up a computation and show the one per cent taxes during construction; I have already testified that I did not make such a computation.

Q. Will you do it?

A. No, sir.

Q. At page 3166 of the record you agreed to attempt to find out and tell the Commission the average rate for public liability insurance per $100.00 in Ohio as of June 30th, 1925. Have you done so, and with what results?

A. I am instructed by counsel not to undertake such investigation.

[fol. 4590] Mr. Burr: Now, if the Commission please,——

Chairman Klinger: Have you done it or not?

The Witness: I have not.

Q. Will you do it?

A. No, sir. I am instructed by counsel to not do it.

Mr. Burr: I do not just know what immunity the witness has from answering these questions, because he is so instructed by counsel.

Mr. Calland: I instructed him; I will answer it. If you want to know why, I will tell you; because I do not think it is important. If you do think it is important, bring it into the record.

Mr. Burr: The record presents this situation; at page 3166 the witness agreed to attempt to find out and tell the Commission the average rate for the public utility insurance per $100.00 in Ohio as of June 30th, 1925. Now he refuses, on the advice of counsel. We do not care to argue the matter at great length, but we simply do not understand——

Chairman Klinger: It is a matter that can be easily ascertained.

Mr. Turner: By them as well as by us.

Mr. Burr: We do not quite understand——

Chairman Klinger: Of course I do not know what the reason is——

Mr. Burr: We do not understand the agreement of the witness to furnish the information, followed by his refusal on the advice of counsel.

Mr. Turner: We are paying the bill, if, when and as we get the money.

[fol. 4591] Mr. Burr: Well, it seems to me the question of money has no place in this case.

Mr. Turner: You can "run us ragged" by asking this man to do things that you can do yourself just as well.

Mr. Calland: What was the rate of the workmen's compensation? You can compute that just as well as we can. Why ask us to get the data for you?

Mr. Burr: In all of these cases where the matter of money is involved, I would like to have the record show

that in our judgment that has no bearing on the question of what are the facts in this case.

Mr. Calland: We do not agree with that.

Mr. Burr: And what information we are entitled to on cross-examination. If such a rule should be invoked and should be prescribed in a tribunal of this kind, a witness might give his unsupported conclusions on any subject as to which he might be interrogated and then, because it costs something for him to substantiate his answer, costs something by way of investigation,—if that were considered or to be considered as an excuse for not answering, there never would be any way to get at the truth.

Mr. Turner: We are not claiming anything of that sort, if the Commission please. Where they are entitled to it, we certainly want to give it to them; but where it is mere courtesy of digging up something outside that they can do as well as we can, or make computations from figures already given, we haven't the money to extend that courtesy to them and they can do it themselves. If it is something within our knowledge, why, they are welcome to it; [fol. 4592] but to go ahead and do a mere courtesy, why, that is another thing, and that is the reason we speak of the money question. We haven't the money to do the courtesy for them. They can get this information just as easily as we can. We mentioned money before. They can make those computations from the figures that are in here just as easily as we can.

Mr. Burr: I must take issue with you on that, Mr. Attorney-General, because insofar as the computations you have just referred to are concerned, we cannot make them; we cannot find in the record any figures which show the percentages which Mr. Allensworth says he used.

Mr. Turner: It would be very little for you to bring a witness on here and say that the results produced different results than we have secured, in rebuttal. We have given you the figures and if they can say that those figures produce different results, put them on and we will cross-examine them.

Mr. Burr: My understanding of a case of this kind has always been that where a witness states on his own authority certain figures and makes a comparison——

Mr. Calland: He did not state these figures; he did not state any figures; you asked if he could get them, the total, and he said he would, but——

Mr. Burr: I am talking about the comparison that the Attorney General referred to; my understanding has been that where a witness makes a comparison and uses figures of his own in making that comparison, we are entitled to know on cross-examination how he arrives at those figures.

Commissioner Maullar: The failure to give the support-
[fol. 4593] ing data leaves the Commission to determine the weight of the evidence.

Mr. Burr: Very well.

Mr. Turner: Just one word. We understand nothing has been used except figures in this record.

Chairman Klinger: It is twelve o'clock and we will recess until one thirty.

And thereupon a recess was taken until 1:30 o'clock P. M. of the same day, Thursday, November 8th, 1928.

[fol. 4594] Afternoon Session

Thursday, November 8th, 1928.

Mr. Burr: Now, before proceeding with the cross-examination, may I state to the Commission that in the noon hour we looked up the page of the record which contains Mr. Allensworth's reference to the number of holes dug per man per day. His testimony is this, page 2811:

"Direct Labor Cost for pole work in my reproduction cost requires a digging performance of these average size holes of 4 1/6 holes per day per man, which performance is generously low to provide for lost time in moving, etc., and other contingencies.

"To support the amounts contained in the Company's alleged reproduction cost for pole work the digging performance on these average size holes could be only 1 84/100, less than two holes per man per day."

Now we have asked Mr. Allensworth to tell us how he arrives at these two figures, the 4 1/6 and the 1.84, and it is certainly a proper subject of cross-examination. We do not know how he arrived at them. It has been stated that we can compute them from the figures which Mr. Allensworth has given us, which, as I say, number tens of thousands.

We say we cannot arrive at it. We do not know how he got at it. We cannot tell. And we believe we are entitled to know from him how he got it if he can give it to us.

Chairman Klinger: If he can give it to you——

Mr. Burr: Not only that, but so far as we know there is [fol. 4595] nothing in the record, no figures in the record, from which the alleged 1.84 holes per day can be computed. So now we are asking him how he arrived at that percentage also, average number of holes.

Chairman Klinger: Can you answer that?

The Witness: No, sir, not at this time I cannot.

Q. Now, at page 3164 you were asked what were the prevailing rates for workmen's compensation or employes liability insurance in Ohio as of June 30th, 1925, and you answered that you had that information in your office. Will you please state the rate as of that date?

A. I am instructed by counsel not to undertake such investigation.

Mr. Calland: Just a minute. Would you mind amplifying that question a little and ask him whether he found that he did have that in his office?

Q. Did you have the information in your office?

A. I did at one time. I did not at the time this question was asked.

Q. What is your amount or allowance for company property insurance in the present case and where is that to be found?

Mr. Turner: May I ask as a matter of information whether this is fire or liability or compensation or all kinds of insurance?

Mr. Burr: Any kind of property insurance—company property.

Mr. Turner: You were just talking about liability insurance above there. I was wondering whether it was the same thing.

[fol. 4596] The Witness: In my allowance for general expense. All insurance is included in general expense. I make no separation of general expense.

Q. The question is, what is your amount or allowance for company property insurance——

Mr. Burr: Because of the interruption, Your Honors, it will be necessary for me to go back and repeat the previous

question so that you may have the connection between the question and the answer already given by Mr. Allensworth, which answer we do not believe to be entirely responsive to the question. The question is:

"What is your amount or allowance for company property insurance in the present case and where is that to be found?"

Mr. Allensworth has answered, if I can correctly quote him: "In my allowance for general expense. All insurance is included in general expense. I make no separation of general expense."

Now the question is, "What is the amount of insurance?"

Chairman Klinger: Can you answer that?

The Witness: The amount allowed for insurance is included in general expense. I make no separation of the general expense item.

By Mr. Burr:

Q. Yes, but what is that amount? That is what the question calls for.

Chairman Klinger: If you can give the amount of insurance you may answer it.

The Witness: Of course, having stated that I make no [fol. 4597] separation of general expense, I am unable to give that amount.

Q. In your Tri-State valuation wasn't your allowance for general and engineering expense five per cent of your total exchange and toll labor and material costs, including plant supervision, tool expense, supply expense and incidental expense?

A. The allowance for general and engineering expense in the Tri-State valuation was five per cent of the total exchange and toll labor and material costs including plant supervision, tool expense, supply expense and incidental expense.

Q. Wasn't it your allowance?

A. Yes, sir.

Q. In that case was not your allowance for interest during construction nine per cent of your total exchange and toll labor and material costs, including plant supervision, tool expense, supply expense and incidental expense?

A. Yes.

Q. In that case was not your allowance for omissions approximately 1.64 per cent of your total exchange and toll

outside plant labor and material costs, including plant supervision, tool expense and incidental expense?

A. Yes.

Q. In that case did not your direct labor cost include the cost of teams and drivers?

A. Yes.

Q. In that case did you make any allowance for taxes during construction?

A. No. Because with the exception of taxes on parcels of real estate, a telephone company in Minnesota pays taxes on income only. Therefore, the taxes during construction were considered negligible and were omitted from my appraisal.

Q. And your total allowance in that case for construction [fol. 4598] overhead charges comparable with your same charges in the present case was 15.64 per cent, except that in the Tri-State case there was no allowance for taxes during construction; isn't that so?

A. Yes. As applied, however, the construction overhead charges on toll property totaled 10 per cent; on exchange property 11 per cent. 5 per cent for engineering and general expense was included in the unit costs in that case.

Q. In that same case, the Tri-State case, did you not also allow $825,831.00 for preliminary expenses?

A. Yes.

Q. What was your allowance for the cost of establishing business in the Tri-State case?

A. I made no allowance in that case for the cost of establishing business. I included the amount of $3,697,000.00 as going concern value.

Q. Was not that amount slightly in excess of 20 per cent of the $17,342,218.04, the latter representing the total physical property, reproduction cost new, as of December 31st, 1918, excluding the items of working capital ($507,372.17) and preliminary expenses, the latter heretofore referred to?

A. The amount stated in my last answer was not figured as a percentage of any other amount. It happens to be, arithmetically, slightly in excess of 20 per cent of the $17,342,218.04.

Q. And in that case did you not arrive at your 1.64 per cent for omissions by taking two per cent of the exchange outside plant property because the inventory of that part of the property had not been checked by the Commission, and one per cent of the toll outside plant property because the

inventory of that part of the property had been checked [fol. 4599] by the Commission?

A. Yes.

Q. To enable the Commission to understand your indirect and undistributed construction costs in the Tri-State case, is not the following a summary of your reproduction cost in that case:

Total exchange and toll labor and material, excluding supply expense, tool expense and supervision expense	$14,240,863.14
Indirect costs—Exchange	2,381,434.45
Indirect costs—Toll	719,920.45
Total exchange and toll, direct and indirect costs as of 12-31-18	17,342,218.04
Preliminary expense—12-31-18	825,831.00
Working capital—12-31-18	507,372.17
Going value as of 12-31-18	3,697,[000]*.00
Total property as of 12-31-18	22,372,421.21
Net Additions to 12-31-20	909,165.56
Total as of 12-31-20	23,281,586.77

A. That is correct, excepting as to what you designate indirect costs. The amounts of indirect or overhead costs in that appraisal were (interest during construction and omissions)—Exchange, $1,279,230.52—Toll, $345,280.95. The balance in the amounts you designate "Indirect Costs" were included in the unit costs in that case.

Q. In that case does not the amount $3,101,354.90 for indirect costs include supply expense, tool expense, supervision expense, omissions, general and engineering expense and interest during construction, heretofore referred to?

A. Yes. With the explanation of this item contained [fol. 4600] in my previous answer.

Q. In arriving at your tentative hole digging costs in your Tri-State case, did you not use for a thirty foot pole a digging performance of three holes per man per day in ordinary soil?

A. Yes.

[* Matter enclosed in brackets, struck out in copy.]

Q. And having computed the tentative hole digging costs for ordinary soil, did you not then increase those costs for other kinds of soil as follows: 100 per cent increase for holes in gumbo, hardpan and quicksand making 1½ such holes per man per day; 200 per cent increase for holes in shale, making one such hole per man per day; 400 per cent for holes in rock, making .6 of one such hole per man per day?

A. Such additions were provided for in the tentative labor units. These additions were not used in the Tri-State appraisal.

Q. Were they provided for by you?

A. How?

Q. Were they provided for by you? You say in your answer "They were provided for" but what I am asking now is whether they were provided for by you; whether you did it?

A. I made up those tentative unit costs.

Q. In the present case does not the total of your plant supervision, tool expense and incidental expense equal 21 per cent of the direct labor cost?

A. Yes.

Q. Did you make any investigation of the tool expense of any telephone company at or about June 30th, 1925, in connection with your allowance of 2 per cent of the direct labor cost for tool expense in this case?

A. Yes, I investigated the tool expense of The Ohio Bell [fol. 4601] Telephone Company as submitted to me by its engineers and found it to be in excess of two per cent.

Q. Did you investigate the tool expense of any other telephone company as of June 30th, 1925, or thereabouts?

A. No.

Q. What is the basis of your allowance of two per cent for tool expense in this case and how did you arrive at that percentage?

A. It is the amount which I would budget for that item.

Q. Is it based on the experience of any telephone company known to you as of June 30th, 1925, or thereabouts?

A. In arriving at my allowance of two per cent for tool expense I considered the reported tool expense of The Ohio Bell Telephone Company as of that date.

Q. Did you consider the tool expense of any other telephone company as of that time?

A. No.

Q. Where and when as of June 30th, 1925, or in the period of three or four years previous to that date, has any telephone company having 10,000 stations or more experienced, to your knowledge, two per cent or less of its direct labor costs for its tool expense?

A. I have made no specific investigation as to construction tool expense of any telephone company other than the reported tool expense of The Ohio Bell Telephone Company as of that time.

Q. What is the personnel of your supervision organization contemplated in your reproduction of the property of The Ohio Bell Telephone Company here?

A. I did not set up an organization personnel for the item "Construction Supervision".

[fol. 4602] Q. Where in your unit costs have you made provision for plant accounting expense?

A. In my reproduction cost, construction accounting is a function of general expense, engineering and superintendence and construction supervision. In addition to this I provide for clerical expense (accounting) in labor costs.

Q. What part, either in dollars or percentage, of your engineering expense or your supervision or your general expense is represented by construction accounting expense?

A. I make no separation of that item.

Q. Can you tell us what part is represented by those different kinds of expenses?

A. I make no separation of that item.

Chairman Klinger: Can you give it some time?

The Witness: No, sir.

Q. Well, can you and will you give it to us?

A. I can, but I will not.

Q. What is your total amount for the entire accounting expense in the present case?

A. I make no separation of this item.

Mr. Burr: It is the same situation, Your Honor. We asked, What is your total amount for the entire accounting expense in the present case.

Chairman Klinger: Are you able to give it without further——

The Witness: No, sir, not without further computation.

Q. Well, will you do it for us?

A. No, sir.

Q. Can you?

A. Why, certainly I can.

[fol. 4603] Q. Well, will you tell us how so that we can compute it?

A. No, I won't tell how; I don't think, Mr. Burr, that you want to put yourself in the position of taking advantage of my position on the witness stand to that extent.

Q. Certainly I do not, Mr. Allensworth.

A. I thought not.

Q. But I believe that we are entitled to the information.

A. You are entitled to all information having to do with reference to my valuation or my figures. I have testified repeatedly, I have explained to you many times in my office, that I did not make a separation of those items.

Q. Now I am asking you if you will?

A. And I have told you already that I will not.

Q. Very well; so be it. In arriving at the plant accounting expense in your Cuyahoga valuation, did you not set up a general plant accounting organization as the basis for your plant accounting expense in that case?

A. I had no such item as plant accounting expense in that appraisal. I included in that appraisal an item for construction time keeping and construction accounting. In estimating amounts of this item a theoretical organization was set up.

Q. And you have set up no such organization in this case?

A. No.

Q. Will you do it?

A. No.

Q. Please give the basis and methods used in arriving at your per square yard allowance for salvage in those of your paving costs in respect of which you have made salvage allowances?

A. The allowances reflect my experience as an engineer of the amount of salvage which would be realized. In [fol. 4604] case of brick, wood block and asphalt block pavement the gross salvage is 47.7 per cent of the square yard costs of the paving; in the case of stone pavement the gross salvage is 45.5 per cent of the square yard cost of the paving. From the gross salvage in respect of each of those kinds of paving I deduct 33 1/3 cents per square yard for cleaning.

Q. When you speak of the square yard cost, do you mean the total labor and material costs?

A. Total labor and material costs of the pavement.

Q. How many bricks, wood blocks and stone blocks are there in a square yard of paving?

A. I did not make any computation of the number of pieces of paving per square yard.

Q. The question is, how many bricks, wood block and stone block, there are in a square yard of pavement?

A. The answer is, I did not make any computation of the number of pieces of paving per square yard.

Q. Will you do it?

A. No, sir.

Q. What percentage of the per square yard paving costs used by you in this case represents material and what percentage represents labor?

A. These costs were not separated as to material and labor.

Q. Then you cannot give that percentage?

A. I haven't that information.

Q. In computing your salvage how many bricks, blocks or stones have you considered as being cleaned per hour on the average?

A. Sixth pieces per hour on the average, whether the binder be tar or cement.

Q. Are not your paving costs calculated on the supposi-[fol. 4605] tion that the company will lay the paving?

A. No.

Q. Do not each of your unit costs for exchange and toll aerial and underground cable include an even .5 of one per cent of the cable material cost (f. o. b. Columbus) for the net cable loss?

A. Yes.

Q. Please state your authority for that per cent?

A. That is my knowledge of what cable loss should be incurred in the reproduction of this property.

Q. Does not your average allowance of three feet overlap per slice for cable splicing apply to all kinds of cable, underground as well as aerial?

A. Yes.

Q. Upon what do you base your percentage or footage of cable loss for the different sizes and types of cable contained in your unit costs?

A. It is my knowledge of what cable loss should be incurred in the reproduction of this property.

Q. In computing your salvage for cable splicing have you not figured that all salvageable material would be recovered and salvaged?

A. Yes.

Q. In respect of your allowance for supply expense in the Tri-State case, did it not amount to 7 per cent of your total material cost for outside plant?

A. Yes.

Q. That 7 per cent represented your judgment after studying the experience of the company in that case, did it not?

A. Yes.

Q. Well, what is the basis of your 3.5 per cent for supply expense in the present case and how did you arrive at that particular per cent?

A. It is 3.5 per cent of the total material cost of outside [fol. 4606] plant and is the amount I would budget for that purpose.

Q. As of June 30th, 1925, or thereabouts, did any telephone company experience such a percentage or allowance, to your knowledge?

A. I do not know.

Q. Did you study the supply expense experience of The Ohio Bell Company or any other Ohio Company before determining to use the 3.5 per cent in this case?

A. Yes, the experience of the Ohio Bell Company as revealed to me by its engineers. It amounted to 3.6 per cent of the total material costs of outside plant.

Q. Yes, but was not that 3.6 per cent referred to in your answer exclusive of any allowance for depreciation and shrinkage of materials and supplies?

A. I do not know that.

Q. In your appraisal what is the item of supply expense intended to cover?

A. It includes the cost of purchasing materials and hauling them to the yard or storehouse; also, breakage, loss and waste in the storehouse or storehouses and yards (depreciation and shrinkage of supplies) but it does not include unloading, piling, sorting in the yards. The unloading, piling and sorting and handling of poles and cross-arms, and cable and conduit, is in my labor unit costs. In the case of wire, miscellaneous material, etc., there is the allowance of 3.5 per cent for supply expense and in addition an allowance for breakage, loss and waste.

Q. Can you state what portion of your 3½ per cent for supply expense represents depreciation and shrinkage of supplies in storehouses or yards?

A. I make no separation of supply expense.

Q. The question is, can you state what portion of your [fol. 4607] 3½ per cent for supply expense represents depreciation and shrinkage of supplies?

A. The answer is, I make no separation of supply expense.

Q. The question is, can you?

Chairman Klinger: Can you give it without——

The Witness: I have made no separation of that item, Your Honor.

Chairman Klinger: And you could not give that?

A. I could not give him the amount now, no. Of course it should be understood by that answer that the amount could be determined.

By Mr. Burr:

Q. But you are unwilling to do it?

A. I will not do so.

Q. In making up your Tri-State valuation, did you not consider two per cent of the average material and supplies on hand over a period of time as the proper allowance for shrinkage and depreciation of supplies?

A. Yes, in that case.

Q. And you did not do it in this case, did you?

A. No, sir.

Q. I understand also you did not set up an organization personnel for general or administrative expense?

A. That is correct.

Q. You have stated that your five per cent for engineering and superintendence is one generally accepted and approved by engineers. We have asked you for the personnel of your engineering and superintendence organization. Can you state how much of that five per cent represents engineering and how much of it represents superintendence?

A. I make no separation of the engineering and superintendence item.

[fol. 4608] Q. Well, can you state that?

A. I have already answered the question.

Mr. Calland: He wants to know whether you can by making further computations?

The Witness: I beg your pardon; I did not understand the question. Of course such a study could be made.

Q. Will you do it for us?

A. No, sir.

Q. You have also stated that what you term the construction accounting expense is represented partly by the expense of the clerk in your construction crew, partly by allowances in your engineering and superintendence, partly by an allowance in your supervision expense and partly by an allowance in your general expense. Will you please state what part of your five per cent allowance for engineering and superintendence represents what you term construction accounting?

A. I make no separation of the engineering and superintendence item.

Q. Can you and will you do it?

A. I can do so, but I will not do it.

Q. Also, will you please state what part of your two per cent for general expense represents what you term construction accounting?

A. I make no separation of general expense.

Q. Could you do it?

A. It would be possible, of course.

Q. Are you willing to do it?

A. No, sir.

[fol. 4609] Q. You have stated that your unit costs contain an item which you designate supervision. You have also stated that five per cent of your undistributed construction costs covers engineering and superintendence. Will you please draw the line between that superintendence, on the one hand, and the superintendence or supervision included in your unit costs under the heading of supervision, on the other hand?

A. I make no separation of the engineering and superintendence.

Q. Could you make such a separation?

A. It would be a very difficult undertaking because of the fact that engineers of themselves do more or less superintending of such construction work. The functions of the engineering department overlap as to personnel. The superintendent does some engineering; the engineer does some superintending.

Q. Are you unwilling to give us your judgment in the matter of that kind of a separation?

A. I have made no separation of the engineering expense.

Q. Are you unwilling to make one?

A. I will not make one at this late day, no, sir.

Q. What part of your supervision expense represents accounting expense? And are your answers to this question the same as your last one?

A. Yes, sir.

Q. Having heretofore asked you how much of your construction accounting expense is included in your two per cent for general expense and how much of the two per cent represents public liability insurance (property and personal), employes liability insurance or workmen's compensation and company property insurance, tell how much of the two per cent represents salaries and expenses of general [fol. 4610] officers, legal expenses during construction, fees paid the Secretary of State for incorporation, general accounting expenses and expenses in connection with accidents and damages not covered by insurance, as provided in Account 669 of this Commission's System of Accounting?

Mr. Turner: Just a minute: we object to that question. Is there any contention that that two per cent is not your own figure or is not what you use yourself? Is there a fight about the amount?

Mr. Burr: I am asking him how he arrived at it.

Chairman Klinger: If he knows, he can tell.

The Witness: I make no separation of general expense.

Mr. Calland: The same answer as before.

By Mr. Burr:

Q. With the same answers with respect to your willingness to make it?

A. Yes.

Q. As heretofore given?

A. Yes.

Q. Was not your percentage allowance for breakage, loss and waste for all material in your Cuyahoga valuation one per cent of the total outside plant material cost?

A. Yes.

Q. And that one per cent was separate and apart from your allowance of 6.85 per cent for omissions and contingencies in that case, was it not?

A. Yes.

Q. In arriving at the difference of $2,121,278.79 between the Company's material costs and your material costs (record page 2807), did you not deduct from your material cost figures your allowances for omissions, breakage, loss and waste and fail to deduct from the Company's material costs [fol. 4611] the allowance which it had made for similar items?

A. Yes; for the reason that it could not be deducted from the Company's amounts.

Q. Why have you made no allowance for preliminary expense in this case?

A. It is my opinion as an engineer specialist in public utility economics that "Preliminary Costs" as an item of reproduction cost has no proper place in a statement of the reproduction cost of the property of The Ohio Bell Telephone Company as of June 30th, 1925.

Q. Are you using or are you not preliminary costs as synonomous with preliminary expense?

A. Yes.

Q. And you have disallowed the preliminary expense entirely in this case, notwithstanding a substantial allowance for that item in both your Cuyahoga and your Tri-State appraisal?

A. I do not disallow any preliminary cost item, Mr. Burr, in this appraisal; there is no such item in the appraisal, no proper place for any such item in this appraisal, in my opinion. It is not a matter of disallowing something.

Q. Well, have you allowed anything for it in your appraisal in the present case?

A. I have not.

Q. You have stated that your 3½ per cent of outside plant material costs, representing your amount for supply expense, includes breakage, loss and waste in the storehouses, but does not include unloading, sorting and handling of supplies at the storehouses nor in the yards, nor does it include breakage, loss and waste after the materials have left the storehouse or yards. Will you first indicate the personnel of your supply department?

A. I have made no such statement. Answering your question as to a theoretical supply department organization, [fol. 4612] I have not set up an organization personnel.

Q. How many men would it embrace and what would be the salaries of each?

A. I have set up no organiaztion personnel for supply expense.

Q. Well, does that mean that you cannot; therefore, you cannot give the number of men and their salaries?

A. It means that I have set up no organization personnel for supply expense. Just the statement.

Q. What I asked you was how many men would it embrace and what would their salaries be?

A. And I am answering here, I have set up no organization personnel for supply expense.

Q. And therefore you cannot——

A. Had I set up any such organization I of course could give you the amounts and the number of people and all that sort of thing.

Q. Will you set up such an organization?

A. No, sir.

Q. And give us the salaries and the number of men?

A. No, sir, I will not.

Q. How much of your supply expense is for rental of pole and cable yards, supply rooms and warehouses?

A. I make no separation of supply expense.

Q. Well, can you tell the Commission how much of your supply expense is for rental of pole and cable yards and supply rooms and warehouses?

A. That would be possible, of course, Mr. Burr, but it is a very complicated determination. The first element that enters into that is the Company-owned premises, and that being in the appraisal as land and buildings, it would be provided for in the fixed capital account under land and [fol. 4613] buildings. Such a separation of that would be a very lengthy undertaking.

Q. Well, are you willing to do it in order that we may know how you arrived at your 3½ per cent for supply expense in this case?

A. I have already told you that I did not arrive at my 3½ per cent by making any such separation.

Q. On what is it based?

A. On my opinion. It is the amount I would budget for that item were I reproducing this property as of June 30th, 1925.

Q. Is that all you can give us by way of authority for that per cent?

A. That is all the authority that I need.

Q. Now you have stated that you made no separation of the supply expense in this case; didn't you make such a separation in your Cuyahoga valuation?

A. No.

Q. Are you sure of that?

A. Yes.

Q. Tell the Commission how many pole and cable yards you have assumed in the reproduction of the Ohio Bell property, where they would be located, how many storerooms and warehouses you have assumed and where they would be located; in short, give us a brief outline of your supply department.

A. I make no separation of supply expense and that question is already answered in my answer to the previous question.

Q. In your figures showing paving costs over conduit and manholes you used 98.05847747 per cent of the total of $1,525,001.24 as the portion of the paving owned by the Ohio Bell Telephone Company. Did not the Ohio Bell Telephone Company, as of June 30th, 1925, own 100 per cent of the $1,525,001.24?

A. Are you ready for the answer?

Q. Yes.

A. If this be true, I was either mistaken or, misinformed [fol. 4614] at the time the Company gave to me its inventory quantities of paving actually cut at time of the installation of its conduit and manholes. If the Company owns 100 per cent of the $1,525,001.24 referred to, a correction should be made.

Q. Will you investigate and advise the Commission as to the correct facts with respect to the figures referred to in my last question?

A. I am advised by counsel not to make any such investigation.

Mr. Burr: If the Commission please, the situation presented here is almost as anomolous as some of those this morning. We advised Mr. Allensworth that his use of 98 per cent in round figures is incorrect and that it should have been 100 per cent in respect of the paving, and he has said that if that is so he was either mistaken or misinformed at the time the Company gave him its inventory quantities of paving actually cut. He also says if the Company owns 100 per cent of the amount of paving, that is $1,525,001.24,

that a correction should be made. So we have asked him if he wont please make the investigation and advise the Commission as to what are the correct facts, and this he declines to do.

Chairman Klinger: Well, I imagine that this is a little different from giving or refusing to give a fact or testify to something that he knows.

Mr. Calland: Decidedly so.

Chairman Klinger: He just merely gives you the basis for his answer, and if that is not correct, why, you can put on evidence or witnesses to give the correct amount.

Mr. Calland: No one knows but the Company. We don't know.

[fol. 4615] Chairman Klinger: I imagine it would be easier for you to do it. He would have to go to your books and records.

Mr. Burr: We have already advised gentlemen on the other side as to the facts, and we did it, we thought, as a matter of courtesy; but if they insist on not correcting the record, or course we will have to correct it ourselves.

Mr. Calland: Go ahead then.

Mr. Turner: Which always gives us an opportunity to cross-examine.

Q. Referring to the same sheet, and that is the sheet showing your paving costs over conduit, how did you arrive at the item of $62,014.38?

A. By taking 15 per cent of that portion of pavement over conduit and manholes cost incurred by the Company through the operations of its construction forces.

Q. Now in respect of the prices as of June 30th, 1925, for miscellaneous material quoted you by the Erner & Hopkins Branch of the Lake States Electric Company, and testified by you in chief, and our suggestion that those prices are in error, having been incorrectly quoted to you, I understand that you are unwilling to ask the Erner & Hopkins Branch, or its officers, whether the prices so quoted to you were incorrect, and, if they were incorrect, to quote you the correct prices as of that date; is that true?

A. I am instructed by counsel to make no such investigation.

Q. At page 2799 of the record you say that the prices quoted to you by the Erner & Hopkins Branch of the Lake States Electric Company are all in memorandum form; will

[fol. 4616] you please permit us to inspect these memoranda in order that we may compare them with your Exhibit 5-A?

A. Most of this written memoranda consists of lists of material prepared by me, which I took to the Erner & Hopkins Branch, and there some one connected with that establishment inserted the prices. Some of the prices were quoted to me by telephone. These prices have been correctly reported in what has been identified in this case as Allensworth's Exhibit No. 5-A. Upon advice of counsel I shall not submit such memoranda for your inspection at this time.

Mr. Burr: Does the Commission rule that we are not to have access to the memoranda?

* * * * * * *

[fol. 4617] Chairman Klinger: I don't know. The only question, or the only fact, that causes me to hesitate is that this is their own private memoranda; that is where the hesitation is. It was not a memoranda provided by the Erner & Hopkins Company, but it is their own private memoranda. That is the only thing that makes me hesitate to order it. I rather think it would be error to order it. The objection will be sustained.

Mr. Burr: Note an exception.

Chairman Klinger: Because it is their own private memoranda and was not memoranda that was furnished by the Erner & Hopkins Branch of the Lake States Electric Company.

Q. Referring to the prices contained in your Exhibit No. 5-A, on what date or dates did you secure those price quotations from the Erner & Hopkins Branch?

A. Sometime during the last six months of 1927.

Q. Also what representative or representatives of the Erner & Hopkins Company furnished them to you?

[fol. 4618] A. I have already given my best recollection as to who they were.

Q. Mr. Allensworth, isn't it a fact that you can not give us the names of anybody that furnished those prices to you?

A. In response to a question I think from you, Mr. Burr, at the time that I was giving my direct testimony, I stated who some of the employes were who gave these prices. I think, if my memory serves me correctly, that you made

some suggestion as to the names of the men that quoted these prices. Further than that I cannot say.

Q. Well, isn't it true that some of the prices came to you by telephone as you have just testified?

A. Yes, sir.

Q. And you do not know in respect of those who was giving them to you, do you?

A. Except as to the man that I asked for at the time I made the inquiry.

* * * * * * *

[fol. 4619] Mr. Burr: If I understand, the Commission's ruling stands?

Chairman Klinger: Yes.

Mr. Burr: Note an exception.

Q. Were you not advised by the employes of the Erner & Hopkins Branch who furnished you those quotations or prices, either at the time when those price quotations were furnished you or at some other time that the prices so [fol. 4620] quoted did not represent billing prices, that is to say, prices at which the miscellaneous material had been billed to any one, but that, on the contrary, the prices were estimating prices only?

A. No, except that I recently received in the mail a carbon copy of what purported to be a letter from the Erner & Hopkins Division to The Ohio Bell Telephone Company, dated October 9th, 1928, containing a statement that the prices which had been furnished to me were not to be taken as actual billing prices. Neither the Erner-Hopkins Company Branch nor any of its officers or employes, at the time the prices were furnished or since, have advised me that the prices were not actual billing prices, or that they were estimating prices only.

Q. Let me ask you whether since October 9th, 1928, you have not received word from the Erner & Hopkins Company that the prices quoted to you in 1927 were not the actual billing prices or something to that effect?

A. I have received no such word from the Erner & Hopkins Company.

Q. Haven't you recently received a letter from the president of that company?

A. No, sir; I do not know whether the Erner & Hopkins Company has a president; I received a letter from some-

body connected with the Lake States General Electric Supplies.

Q. Will you produce that letter, please?

A. I haven't that letter in my possession.

Q. Have you in your possession the copy of the letter referred to in your previous answer as having been written by the Erner & Hopkins Division to the Ohio Bell Telephone Company dated October 9th, 1928?

[fol. 4621] A. I have no such letter in my possession.

Q. That is because you have turned it over to somebody else?

A. I have turned them over to the Attorney General.

Mr. Burr: Will the gentlemen on the other side produce them?

Mr. Turner: I do not want those letters to take the place of the witness.

Mr. Burr: Do you refuse to produce them?

Mr. Turner: Yes, because it is quite apparent here that they have been written at your instigation. That makes it a self-serving declaration. We must have these men on the witness stand now.

Mr. Burr: Oh, no, they were not written at my instigation.

Mr. Turner: How did they come to be written and how did you know that he had them if they were not written at your instigation? We must take things in the common, ordinary way of doing things. We are not blaming you for doing it, but nevertheless that does not change it from a self-serving declaration or document. We want you to produce those witnesses so we can cross-examine them and you are not shut out of any right because if these prices were not right, those witnesses can say so. But just to take a letter written at the suggestion of your side of this case to Mr. Allensworth and then get that in here as evidence, we object to it.

Mr. Burr: Your Honors, I do not know when, in a matter before this Commission, I have seen a greater reluctance on the part of any of those involved to aid the Commission in [fol. 4622] getting at the facts in the case involved. This, as I said this morning, is not an inquisition; it is not a criminal trial where people sometimes refuse to answer on the advice of counsel. This is not even a contest between the Ohio Bell Telephone Company and any other party. In-

stead of that, this is an investigation by this Commission on its own motion of the rates and property values of the Ohio Bell Telephone Company.

Now, I assume from that that what this Commission wants to do is to get at the facts.

Mr. Allensworth, on what I call the vaguest sort of testimony, has introduced in evidence certain miscellaneous telephone material costs which make a difference of more than half a million dollars in this case. Some of these prices, it develops now, were even received over the telephone. His work in that respect was as casual as that, if Your Honors please. Mr. Allensworth's recollection is not clear as to every one to whom he may have talked down at the Erner & Hopkins Company. Mr. Allensworth's own admissions show that he has recently received a copy of a letter from the Erner & Hopkins Branch saying that those prices which were quoted to him, and to which he has testified and sworn to in this case, were not actual billing prices as of the time that they were furnished to Mr. Allensworth. His answer is that the letter contains a statement that the prices which had been furnished him, Mr. Allensworth, were not to be taken as actual billing prices.

Mr. Calland: He was talking about a letter written to the Ohio Bell Telephone Company when he made that statement.

[fol. 4623] Mr. Burr: I am talking about his last answer.

Chairman Klinger: Let me make a suggestion. I guess there really is no serious dispute, or contention, rather, by counsel on the other side but what this evidence is all competent if you get it in according to the rules of evidence. You have a right to offer the witness that wrote or sent it and then you can ask him whether they have the original. If they don't wish to produce the original you can offer a copy. It is just a question—I agree you are entitled to it—it is a question of how to get it.

Mr. Burr: I was thinking largely of the element of time, Your Honor.

Chairman Klinger: I appreciate that, but in the face of the objection I hesitate to rule with you.

Mr. Burr: Very well.

Chairman Klinger: I think it is perfectly competent if you get it in the record here.

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[fol. 4624] By Mr. Burr:

Q. What is the source of your double wrapped cable prices?

A. The Standard Underground Cable Company, as given in the record.

[fol. 4625] Q. What is the size of the light truck accompanying your gangs?

A. Trucks capable of carrying from one to two and a half tons.

Q. In arriving at your composite cable cost, that is, cost for cable having wire of two or more different guages, you have used a formula, applying it to known non-composite cable quotations. Will you state the basis of that cost?

A. Composite cable prices are computed by proper consideration of all cost factors.

Mr. Burr: That answer of course is not responsive to the question.

Chairman Klinger: The question contemplates what the cost factors might be.

The Witness: If Your Honor please, counsel for the Company makes a declaration here in the form of a question. The declaration is not a true statement of my process. The attorney for the Company keeps insisting on putting in the record what I did in building these costs and usually his statements are misstatements.

Chairman Klinger: In this particular question, however, he wants to know whether you can give those items.

The Witness: Yes, I computed the prices of the composite cable.

Q. Do your composite cable costs represent manufacturers actual quotations or manufacturers sale prices for such cable as of June 30th, 1925, or thereabouts?

A. They are the results of my computations using all cost factors involved in the manufacture of cable.

[fol. 4626] Q. What are those cost factors?

A. I refuse to answer that question for the reason that the processes, the cost factors and the whole system of pricing cable is my confidential information as a part of my engineering capital, if the Commission please.

Mr. Burr: Does the Commission rule we are not entitled to that information?

* * * * * * *

[fol. 4627] Chairman Klinger: The Commission rules that the witness may answer, but if he withholds the answer be-
[fol. 4628] cause of the confidential nature of it, we will not compel him to. I think the parties are entitled to it if he will give it.

Mr. Burr: Note an exception.

By Mr. Burr:

Q. Do you refuse to answer.

A. I prefer not to answer.

Mr. Burr: Note an exception.

Q. Does that mean you wont?

A. It means that I wont.

Mr. Burr: Note an exception.

Q. Is not your allowance for supervision ten per cent of your direct labor cost for outside plant in this case?

A. Yes.

Q. How did you arrive at that ten per cent, and what is your authority for it?

A. My opinion as an engineer. It is the amount I would budget for that expense.

Q. Have you investigated the supervision expense experience of any Ohio telephone Company within the past five or six years?

A. Not specifically.

Q. Will you draw the line between what you consider direct labor cost and supervision cost?

A. Direct labor cost takes in everything up to and including the gang foreman, the clerk and the crew truck or team. Supervision expense is all supervisory expense between the gang foreman and the engineering and superintendence expense.

Q. What would be the personnel of your supervision organization?

A. I set up no organization personnel for supervision.

Q. Then you cannot give the salaries of any or all of the
[fol. 4629] persons comprising that organization?

A. I set up no organization personnel for supervision.

Q. Well, will you please answer the question?

A. My answer to the question is, I set up no organization personnel for supervision.

Q. The question is, can you give the salaries of any or all of the persons comprising that organization?

A. The answer is, I set up no organization personnel for supervision.

Mr. Turner: It is theoretical. He asked whether he set up a theoretical organization and then he says no, and then he says "Can you give the salaries of the theoretical organization that he did not set up".

Commissioner Huffman: He should make a direct answer. The answer is not responsive. It is evasive.

Chairman Klinger: You can answer yes or no.

(Question read.)

A. No, for the reason that I set up no organization personnel for supervision.

Q. How much of your total supervision expense would constitute traveling expense?

A. I make no separation of supervision expense.

Q. Will you do it?

A. No.

Q. Can you give the method by which you would compute your total supervision expense or the part of it which constitutes traveling expense?

A. The method I used in computing supervision expense was the application of a ten per cent factor to all direct labor.

Q. Now can you tell us how you would compute the por- [fol. 4630] tion of your total supervision expense represented by traveling expense so that we may perhaps be able to compute the amount?

A. I of course can tell you how that should be done, but there again, Mr. Burr, you are taking advantage of my position on the witness stand.

Q. Why?

A. I do not think that I should be put in the position of instructing your engineers how to make computations.

Q. Well, Mr. Allensworth, I am asking you to instruct me, if you please.

A. Well, I do not——

Q. And this is cross-examination and I am asking you for the method by which you would compute the part of your total supervision expense represented by traveling expense?

A. With no effort at all I can think of fifteen methods, and I am not going to tell any one of the fifteen. Now the

method will vary with the person making an investigation. It all depends on who is doing it.

Q. And you will not tell us the method you used here?

A. I did not use any such method here for the reason that I made no such separation. If I had used a method, of course you would be welcome to it.

Q. Then you did not use any method at all?

A. I have already explained that the supervision expense is computed by applying a ten per cent factor to all direct labor.

Q. I know that, but I asked you how much of your total supervision expense would constitute traveling expense?

A. And I have already told you that I made no separation of the supervision expense and traveling expense and other elements.

[fol. 4631] Q. Notwithstanding you have not made any such separation, can you tell me how much of your total supervision expense would constitute the traveling expense?

A. No; for the reason I make no separation of supervision expense.

Q. In order to assist us, can you tell me what kind of a method you would use in order to make the separation of the traveling expense portion of the total supervision?

Mr. Turner: Objection. That is hypothetical. It has nothing to do with this case. He has not used it and they are asking how he would do it if he did use it.

Chairman Klinger: I think as an expert he may ask him how he would. If he can answer, he may.

Mr. Turner: And that is an interpolated question here.

Mr. Calland: He cannot answer it offhand; give him time to think it over.

Q. You have said that you could make the separation; will you tell us the method by which it can be made so that, if you are not willing to make it, we may undertake to make it?

A. Well, again you are putting me in a position, or attempting to put me in a position of instructing your engineers how to do a part of their job.

Q. Oh, no, I am asking how you would do it.

A. And I am telling you that I did not do it; there is no testimony in this case, Mr. Burr, where I have made any such separation; where I have made any such study; I did

not use any such method in building up my appraisal and now you insist on cross-examining me on something I did not do and did not testify to.

[fol. 4632] Q. You did not follow any method then in setting up your ten per cent?

A. Of course I did, but not the kind of a method you are talking about.

Q. I don't know as you know what kind of a method I am talking about. Suppose you tell me what one it is.

A. You are talking about a method of separating my allowance for supervision expense into some theoretical component elements; I have already explained, and this makes the third time, that my method of computing incidental expense is the application of a ten per cent factor to the direct labor cost.

Q. And you won't tell us how much of your ten per cent total supervision expense constitutes traveling expense?

A. I have already told you that I cannot do that, for the reason that I make no separation of supervision expense.

Q. Very well. How much of your total supervision expense would constitute what you term construction accounting expense?

A. The same answer.

Q. Will you split your supervision expense as between exchange and toll supervision expense?

A. I include ten per cent of exchange direct labor as supervision expense applicable to exchange outside plant. I include ten per cent of toll direct labor as the amount of supervision expense applicable to toll outside plant.

Q. In your cross-examination Exhibit No. 11, showing the details of your performances, you state that all main conduit is figured with a 27 inch covering; how did you arrive at that figure?

A. From my knowledge of conduit construction in the State of Ohio.

Q. In order to aid us in our further examination into [fol. 4633] your cable prices, please state what specifications you furnished The Standard Underground Cable Company in requesting cable quotations from that company?

A. The specifications supplied me by the engineers of The Ohio Bell Telephone Company.

Q. I know, but they supplied you with many, many; did you give them all to The Standard Underground Cable Company?

A. On all of the cable on which they quoted, yes, sir.

Q. Can you give the specifications by number or type?

A. I cannot.

Q. Do you remember how many specifications you submitted to The Standard Underground Cable Company?

A. There was quite a number of them, quite a bale, quite a package.

Q. Did you submit to them all of those received by you from the Company?

A. Yes, sir, that is my best recollection; I don't remember that I asked for any cable specifications that I did not send to The Standard Underground Cable Company.

Q. What weights of cable did you furnish to The Standard Underground Cable Company in requesting the cable quotations from them?

A. The weights of the respective kinds and types of cable as furnished me by the engineers of the Bell Telephone Company.

Q. Can you be more explicit than that and tell us the definite weights for any of the cable?

A. Well, of course I haven't that schedule before me, Mr. Burr, and it was returned to the Company after it was returned from The Standard Underground Cable Company; that is, it was returned to the Bell Company.

[fol. 4634] Q. Of the specifications which you sent in to The Standard Underground Cable Company, on which of them did you ask for quotations?

A. On all of them; that is to say, I did not send in specific—pardon me if I go back a step further; I did not request from The Ohio Bell Company cable specifications upon which I was not asking prices from The Standard Underground Cable Company, as my memory now serves me. I believe that I can perhaps amplify my former answer. For your information, you asked me if all of the cable specifications were furnished by the engineers of the Bell Company; I said "Yes"; that should be interpreted to mean, of course, that the specifications of the Western Electric manufactured cables were gotten from The Ohio Bell Telephone Company.

Q. Take the 22 gauge cable; now didn't you have four or

five specifications for that kind of cable, different ones, different specifications?

A. I don't know how many, but I had the specifications for the different types.

Q. Well, now, for the several specifications of 22 gauge cable, what ones did you send to The Standard Underground Cable Company as the basis for their price quotations?

A. All of those that appear in the inventory of the Company.

Q. On which specifications did The Standard Underground Cable Company quote you the prices, do you know?

A. On the specifications as submitted.

Q. Now you have different types of cable; you have A. N. A. cable and N. A. cable and other types; on which of those types did you ask for quotations and on which were quotations given, if you know?

A. Well, I asked for quotations on all of the types of [fol. 4635] cable that was in the inventory. The quotations given and the record in this case shows that The Standard Underground Cable Company quoted on the specifications supplied by myself, which specifications were furnished by the engineers of The Ohio Bell Telephone Company.

Q. Well, what were those specifications supplied by you?

A. They were the specifications obtained from the engineers of The Ohio Bell Telephone Company.

Q. But can't you give us any more definite information than that?

A. I do not attempt to carry around in my mind the detail cable specifications, Mr. Burr, if that is what you are shooting at. I do not understand your question if that is not it.

Q. Have you copies of the specifications which you submitted to The Standard Underground Cable Company in your files?

A. No, sir.

Q. Have you any letters referring to those specifications and stating what they are?

A. Only the letters that have been introduced in evidence in the record here.

Mr. Turner: Do I understand the witness to say that he turned the specifications back to The Ohio Bell Telephone Company?

The Witness: Yes, sir.

By Mr. Burr:

Q. What did you turn back?
A. The specifications.
Q. To whom?
A. Mr. Williams.

Mr. Burr: That is all for the present.

Mr. Calland: If the Commission please, we have some [fol. 4636] re-direct and it will take some time to introduce it if we go through the same process as we have with the cross-examination, reading the questions and having the witness read the answers. In the interest of saving the Commission's time I am suggesting that we will be very glad to hand a copy of this re-direct-examination to the stenographer for the purpose of having it embodied in the record, at the same time handing counsel for the Company a copy of it, and if he wants to interpolate or register any objections to any of the questions, that might be done by picking them out, instead of reading this thing all through.

I am just suggesting it in the interest of time; I do not care which way it is done.

Chairman Klinger: It is all right with me.

Mr. Burr: Your Honors, I do not see how we can possibly keep the record straight. Otherwise I would be glad to go along with this sort of a plan.

Chairman Klinger: All right.

Redirect examination.

By Mr. Calland:

Q. What was the "Joint Committee on Valuations of Ohio Public Utilities"?

A. Sections 499-8 to 499-14 of the General Code of Ohio (Laws 1913, pages 808-812) required The Public Utilities Commission of Ohio to investigate and ascertain the value of the property of every public utility or railroad in the state and also to prescribe the details of the inventory of [fol. 4637] the property of each public utility or railroad in the State.

In pursuance of this legislation, the Commission, on March 19th, 1914, issued its order No. 176 requiring inventories and appraisal of the property of all public utilities in the State, and on April 25th, 1914, issued a supplemental

order upon the same subject. Both these orders became known to the public utility interests of the State as "Order 176."

Prior to the time of this order detailed inventories and appraisals of Ohio public utilities had been made in only a few instances. This order placed upon all utilities the responsibility of preparing a complete and detailed inventory and appraisal of each and every public utility in the State. The public utility interests sensed in some measure the responsibility thus placed upon them, and, in view of the circumstance that practically none of the interests concerned had, up to the time of this order, any experience in valuations for rate making purposes in Ohio, concluded that a committee——

Mr. Burr: Just a moment, Mr. Allensworth. Are you stating that as a fact, "that practically none of the interests concerned had, up to the time of this order, any experience in valuations for rate making purposes in Ohio"?

The Witness: Yes.

Mr. Turner: Go ahead.

The Witness: I am going back, so that the reporter can get the trend of it; any experience in valuations for rate making purposes in Ohio, concluded that a committee act-[fol. 4638] ing for all interests in the formulation of a uniform procedure in both inventory and appraisal details would be helpful.

This was agreed upon at a meeting of representatives of public utility interests held in Cleveland August 14th, 1914, which meeting I attended, and as a result of this agreement a committee made up of representatives of The Bell Telephone interests, the independent telephone interests, electric light and power interests, the Ohio Water Works Association, the electric traction lines and the gas interests of the State was appointed to formulate a code or guide for all utilities in the State to assist them in the preparation of inventories and valuations prepared and filed with the Commission in compliance with its Order 176.

The committee, after numerous conferences extending over a period of several months, (many of which conferences I attended), published its report in the form of a pamphlet titled "Report of Joint Committee on Valuation of Ohio Public Utilities."

Q. In making up your valuation of the Cleveland Division of The Ohio State Telephone Company, did you follow the form recommended by this committee?

A. Yes, sir.

Q. Why?

A. I was instructed to do so by my superiors in The Ohio State Telephone Company organization.

Q. Was the unit cost detail you used in your appraisal of the Cleveland Division of The Ohio State Telephone Company that prescribed in the report of this committee?

A. Yes, sir.

Mr. Burr: We object; just a moment.

Chairman Klinger: What is the objection?

[fol. 4639] Mr. Burr: The report of the committee is the best evidence.

Chairman Klinger: Read the question.

(Question read.)

Chairman Klinger: The objection will be overruled.

Mr. Burr: Note an exception.

Chairman Klinger: He gives it as the basis for his report.

Mr. Burr: All right; note an exception.

Chairman Klinger: You may challenge the correctness of that basis, but he has a right to give it as the basis of his report.

The Witness: The answer to that question was "Yes".

Q. And you followed this outline in pursuance of instructions received from your superiors in that organization?

A. Yes, sir.

Q. In addition to unit cost detail, did you follow the outline contained in this report in other respects?

A. Insofar as they applied, yes, sir.

Q. And you were instructed to do so?

A. Yes, sir.

Q. Are you familiar with the "Unit Costs" published by "Committee on Appraisals", The Ohio Independent Telephone Association?

A. Yes, sir.

Q. Tell the Commission about it.

Mr. Burr: Well, just a moment, please. Is he going to state the contents of the publication, or whatever it is, on unit costs.

Mr. Calland: He is going to discuss the document which [fol. 4640] you put in evidence and tell how it was born and how it grew and all about it.

Chairman Klinger: Proceed.

Mr. Burr: Objection withdrawn for the present.

The Witness: At the time the Joint Committee on Valuation of Ohio Public Utilities was working upon its report, the question of appraisals of telephone companies, required under Commission's Order No. 176, was a matter of quite some concern on the part of officials of the larger telephone companies and also the officials of The Ohio Independent Telephone Association.

Mr. Burr: Now I think this witness ought to be cautioned to answer what is within his knowledhe. I do not see how this witness is competent to say that the matter of appraisals was a matter of concern on the part of the officials of the larger telephone companies.

Mr. Turner: He said he attended the meetings at which other representatives were present.

Chairman Klinger: Of course, that is a conclusion I suppose.

Mr. Burr: Of course it is.

Chairman Klinger: What their concern was, that is objectionable.

Mr. Burr: We ask that it be stricken out.

Chairman Klinger: Yes, it may be stricken, that part of it.

The Witness: There were many small independent telephone companies without means of enlisting the aid of engineers and auditors in the preparation of their appraisals. [fol. 4641] The officials of The Ohio Independent Telephone Association thought that they could be helpful——

Mr. Burr: We object.

Chairman Klinger: Not what they thought.

Q. With reference to that, Mr. Allensworth, are you now speaking from meetings which you attended at which you discussed this matter with these people?

A. Yes, sir.

Mr. Burr: Same objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

The Witness: I will repeat. The officials of The Ohio Independent Telephone Association thought that they could be helpful to these small companies by making up a state-

ment of sample unit costs which would be illustrative as to the factors to be considered in the erection of unit costs to be applied to the inventories of telephone properties. As the result of this, there was appointed a committee on appraisals. This committee, when appointed, selected a committee of engineers composed of Mr. J. S. Francis, Appraisal Engineer of The Pennsylvania Bell Telephone Company, Mr. A. J. Walker, Engineer then in charge of appraisals in the Ohio territory for the Central Union Telephone Company, The Bell Telephone Company operating in Ohio and elsewhere at that time, and Mr. B. H. Brooks, Chief Engineer of The Ohio State Telephone Company, the large independent telephone company operating in Ohio. I attended most of the meetings held by this committee as the representative of Mr. Brooks.

The instructions to this committee of engineers were to prepare a set of unit prices that could be applied to the [fol. 4642] inventory quantities of small telephone properties to produce a reproduction cost appraisal of such properties. At the first meeting of the committee of engineers it was decided that it would be an impossibility to produce such a list of unit costs. It was decided to prepare a list of unit costs that would serve as a guide to these companies in making up unit costs to apply to their various properties.

Mr. Burr: Were you present at all meetings at which these things which you are talking about were decided?

The Witness: So far as I know I was present at every meeting, yes, sir. I will continue the answer.

After some discussion a schedule of unit costs was set up by the committee of engineers, and that is the schedule published by the Ohio Independent Telephone Association. At the time the engineers' committee made its report to the committee on appraisals, it was intended by the committee on appraisals that the unit costs were to be published over the names of the engineers comprising the engineers' committee.

Mr. Burr: Just a moment,—just a moment, please. I object. It is stating what the intention of the committee was.

Chairman Klinger: I think the objection should be overruled because the witness is giving the background upon which he premises his testimony.

Mr. Burr: Note an exception.

The Witness: The engineers making up these unit costs refused to sign the report and advised the secretary of the committee on appraisals that the committee on appraisals could publish the unit costs, but that the committee [fol. 4643] on appraisals would have to assume all responsibility for the unit costs published; that the committee of engineers refused to assume any such responsibility.

Q. You used some of the unit costs published by the Ohio Independent Telephone Association in your appraisal of the Cleveland Division of The Ohio State Telephone Company, did you not?

A. Yes, sir.

Q. Were they your unit costs?

A. No, sir.

Q. Why did you use them?

A. The engineer in charge of telephone company appraisals for the Ohio Commission advised me that he was going to use reproduction cost units comparable to those units in his appraisal of that property.

Q. How were unit costs other than those published by The Ohio Independent Telephone Association that you used in that appraisal finally arrived at?

A. By conference and agreement with the Commission's engineer.

Q. Are those unit costs, the unit cost schedules you used in that appraisal, a part of the records of this Commission?

A. No, sir.

Q. Did you appear before this Commission as a witness and testify regarding these unit prices?

A. No, sir.

Q. Did you appear before this Commission as a witness and testify regarding any part of that appraisal, unit cost or any other features of that appraisal?

A. No, sir.

Q. Did you appear as a witness in behalf of The Ohio State Telephone Company in any proceeding before this Commission or in any Court and testify on any fact, circumstance or feature of that or any other appraisal?

A. No, sir.

[fol. 4644] Q. At the time of this appraisal of the Cleveland property of The Ohio State Telephone Company was that company in competition with another telephone company operating in Cleveland?

A. Yes, sir.

Q. What was the name of that company?

A. The Cleveland Telephone Company.

Q. Was The Cleveland Telephone Company owned or controlled by the Bell telephone interests?

A. Yes, sir. The Cleveland Telephone Company was a Bell company.

Q. For how long had that competitive situation obtained?

A. From the time of the building of the property of the Cuyahoga Telephone Company, predecessor to The Ohio State Telephone Company.

Q. What year was the original Cuyahoga property built?

A. Mostly in 1899.

Q. The Bell Telephone Company in Cleveland and The Ohio State Telephone Company, together with other companies,. were consolidated into The Ohio Bell Telephone Company; is that not so?

A. It is, yes, sir.

Q. The property of the former Bell company in Cleveland then is just as much a part of the property of the now Ohio Bell Telephone Company as is the property of the former Ohio State Telephone Company's Cleveland-Division?

A. More so; there was more of it.

Q. Was the Cleveland Telephone Company required, and did it file with this Commission an inventory and appraisal of its property as of the same date or thereabout as the appraisal of the Ohio State property in Cleveland?

A. Yes, sir.

[fol. 4645] Mr. Burr: Just a moment; if he knows; just a moment.

Commissioner Huffman: Do you know?

The Witness: Yes, sir.

Mr. Burr: How do you know?

The Witness: I know from my knowledge of the order of the Commission; I know from my actual experience with the engineers making the appraisal for the company; I know from the fact that I have a copy of the appraisal in my office at this time.

Mr. Burr: That of course does not prove that it was filed with the Commission.

The Witness: I know that it was filed with the Commission from my general knowledge of the procedure at that

time, and in my discussion with the engineer of the Commission.

Mr. Burr: You did not see it here on file in the Commission's records, did you?

The Witness: I believe I attended some of the hearings when the valuation of the Cleveland property was presented by The Cleveland Telephone Company.

Mr. Burr: Well, the only point in that is that if there was such a thing filed here the document itself is the best evidence.

Mr. Turner: Sure, but the fact of filing is not, if he can testify to the fact of filing.

Mr. Burr: Only if he filed it himself or saw it on file.

Mr. Turner: Yes, if he filed it himself or saw it on file or was here in the hearing and heard it discussed and tes- [fol. 4646] tified to orally. Anybody else can say there was an appraisal on file here if they had listened to all this testimony.

Mr. Burr: Well, I object.

Mr. Turner: Well, shall we dig up the records.

Mr. Burr: I don't know what is the purpose of the question, but I offered you a courtesy once and I have been taught not to do it again.

Mr. Calland: We will produce it if you insist upon your objection and if the Commission so rules.

Mr. Turner: The Commission should take judicial notice of its own files.

Mr. Burr: But not have the witness state them.

Chairman Klinger: This refers to a file by the Cleveland Company?

Mr. Turner: Yes.

Chairman Klinger: He may proceed. The Commission will take notice of the fact that it is on file.

Mr. Burr: Well, if it is; but not from his statement?

Chairman Klinger: Yes.

Mr. Burr: Then I understand my objection is sustained?

Chairman Klinger: Unless it is on file.

Mr. Burr: Well, who is going to determine that?

Commissioner Huffman: The Commission.

Mr. Burr: The point I make is that the document itself is the best evidence.

Mr. Turner: Not of the filing.

[fol. 4647] Chairman Klinger: It is not necessary to put it in evidence if it is a fact that it is on file.

Mr. Burr: But what I am objecting to is, the fact that this witness is saying that it is on file, and that his statement so far is being accepted as a fact.

Chairman Klinger: That can be challenged.

Mr. Burr: I have challenged it.

Chairman Klinger: And you may disprove it.

Mr. Burr: Oh, no, Your Honor. That strikes me as going a little too far, if my objection is well taken, because——

Mr. Turner: Do you insist it is not on file?

Mr. Burr: I don't know.

Commissioner Maullar: You are objecting on the ground that the witness don't know whether it is or not?

Mr. Turner: Let the secretary get it, the appraisal of The Cleveland Telephone Company, of about the year 1914.

Chairman Klinger: You may proceed at this time.

Mr. Burr: Then the matter is reserved for the moment?

Chairman Klinger: Yes.

Mr. Calland: If you will bear with me a moment; I will have to pass over some of these questions now that the objection has been raised, because the next questions referred to the contents. I will have to check through and see just what I want to ask.

Mr. Burr: Well, wait a moment; I don't want to impede the progress of this hearing.

[fol. 4648] Mr. Calland: That is all right.

Mr. Burr: Go ahead with your questions on the theory that it was filed.

Mr. Turner: All right.

Mr. Burr: I don't know what it is. I never saw it.

By Mr. Calland:

Q. Are you familiar with that appraisal and with the various items comprising it?

A. Yes, sir.

Q. Did The Cleveland Telephone Company's appraisal include an amount claimed as Preliminary Cost, and, if so, to what amount?

A. Yes, sir; to the amount of $232,909.00.

Q. How much has The Ohio Bell Telephone Company included in its appraisal in this case for that item?

A. The Ohio Bell Telephone Company has no such item in its appraisal in this case.

Q. How much was included in The Cleveland Telephone Company's appraisal as claimed cost of reproduction of Right of Way?

Mr. Burr: Just a moment——

(At this point in the hearing the Secretary of the Commission, Mr. James Dugan, brought into the hearing room a certain bound volume.)

Commissioner Huffman: Of what date is that?
The Witness: April 1st, 1914.

Q. By your answer in response to the Commissioner's question, you are referring to the inventory and appraisal [fol. 4649] of The Cleveland Telephone Company, are you not?

A. Yes, sir.

Mr. Burr: Are you offering that?
Mr. Turner: We are simply offering in evidence the fact that the inventory and appraisal of the property of The Cleveland Telephone Company, of Cleveland, Ohio, 1914, was filed with this Commission on September 28th, 1915.
Commissioner Huffman: And is now on file?
Mr. Turner: And is now on file, and this is from the files of the Commission.
Chairman Klinger: If that is not admitted, you will have to bring——
Mr. Turner: The Secretary was here a moment ago.
Chairman Klinger: Mr. Dugan can be put on the stand.
Commissioner Maullar: That can be conceded as being on file, can it not?
Mr. Burr: Yes.
Mr. Turner: The Secretary produced it here.
Chairman Klinger: If it is not, you can put him on the stand.
Mr. Burr: Just a moment; this volume handed to me by the Attorney General——
Mr. Turner: And which was handed to me by the Secretary of the Commission in your presence.
Mr. Burr: Quite so; appears to be only a volume of building costs; apparently there are three volumes in all.
Mr. Turner: Get them all.

(At this point in the proceedings the Secretary of the [fol. 4650] Commission, Mr. James Dugan, produced in the hearing room two volumes or documents.)

Mr. Turner: Now, if the Commission please, we have Volumes 1, 2 and 3, prepared by William J. Hagenah, and

being an inventory and appraisal of the property of The Cleveland Telephone Company, Cleveland, Ohio, 1914. Volume 1 is "Explanatory Discussion and Conclusions, Details of Physical Property.";

Volume 2 is "Details of Physical Property, continued";

Volume 3 is "Details of Physical Property, concluded"; all by William J. Hagenah, and they bear the file mark of this Commission September 28th, 1915.

Now if there is any question about their authenticity we will ask that Mr. Dugan be sworn and take the stand for a moment. Do you want that, Mr. Burr?

Mr. Burr: Oh, no, that is not necessary.

Mr. Calland: Now, Mr. Stenographer, to save looking back, I will ask the question over again.

Q. How much was included in The Cleveland Telephone Company's appraisal as claimed cost of reproduction of Right of Way?

Mr. Burr: Objection.

Commissioner Huffman: If you know.

Mr. Burr: Well, just a moment; he is now talking about the Cleveland Company's appraisal of right of way made in 1914; what possible connection has that with this case?

Commissioner Huffman: We cannot tell.

[fol. 4651] Chairman Klinger: I do not know. We don't know what he is driving at.

Mr. Burr: Then why admit it?

Chairman Klinger: It is preliminary possibly. Unless it is shown to have something to do with the question, it will be stricken out.

Mr. Burr: Well, he is asking for a fact here as to what amount was included in the Cleveland Telephone Company's appraisal as the claimed cost of reproduction of right of way.

Mr. Turner: If Mr. Burr will read on in his list of questions, he will find that it is relevant.

Mr. Burr: I have not been able to see the relevancy yet.

Chairman Klinger: He may answer at this time.

Mr. Burr: Note an exception.

The Witness: $116,061.00.

Q. How much was included in the appraisal of the Cleveland property of The Ohio State Telephone Company for this item?

Mr. Burr: Same objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.
A. $263,135.36.
Q. Which was the larger of these two properties?
Mr. Burr: Same objection.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. The property of The Cleveland Telephone Company [fol. 4652] was much the larger of the two. The claimed reproduction cost of The Cleveland Telephone Company's property was $9,007,610.72. The claimed reproduction cost of The Ohio State Telephone Company's Cleveland property was $6,228,140.89.

Mr. Burr: Just a moment. I move to strike out all of the answers commencing with "$116,061.00". Will the Commission bear with me for a moment to see where we are heading in this case, and what the purport of these questions appears to be?

Here are two telephone properties in Cleveland 14 years ago, one The Cleveland Telephone Company and the other The Ohio State Telephone Company. Each of them apparently filed some sort of an appraisal with this Commission, and this witness is attempting to show that because The Cleveland Telephone Company was the larger of the two, and because its amount for right of way was the lesser of the two amounts given by those two companies respectively in their appraisals for right of way, that that has some bearing on this case. Now, if anybody can tell me what possible bearing it can have upon this case, that the Cleveland Telephone Company's right of way appraisal was smaller than that of the Ohio State Company's appraisal, in appraisals filed with this Commission 14 years ago, I will learn something. But I cannot—simply cannot understand it at this point in this case.

I have never seen any one go quite so far afield in the realm of speculation as these questions appear to go. What possible bearing can they have upon this case, upon what is the fair value of the right of way of The Ohio Bell Telephone Company as of June 30th, 1925?

[fol. 4653] Chairman Klinger: I really don't know what they are attempting to prove.

Mr. Burr: I don't either, and I think it is highly improper.

Mr. Calland: Does the Commission want to hear from me?

There are two things I think that Mr. Burr has overlooked. In the first place, this is re-direct-examination, going further into matters which he went into on cross-examination, one of which was the comparison of the right of way set up in the appraisal of The Ohio State Telephone Company in Cleveland as compared with the appraisal made by Mr. Allensworth of the Ohio Bell Telephone Company throughout Ohio.

Now here is another telephone company operating in Cleveland alongside of The Ohio State Telephone Company, a larger company, and they were there first.

In his examination Mr. Allensworth explained the reason for the allowance of right of way in The Ohio State Telephone Company, a competitive condition. Now we are showing the facts of what resulted. It was all brought out on cross-examination.

Mr. Burr: Not at all, Your Honors. Here is a witness who in this case allowed substantially one dollar a pole in his right of way costs. To impeach that testimony and to show his contrary testimony in another case, we proved that in his Cuyahoga valuation he allowed at least five dollars per pole, where in this case he allowed one dollar. Now that was a case of proving a previous inconsistency of [fol. 4654] this witness. But what has the right of way appraisal of The Cleveland Telephone Company, as to which the witness was not interrogated, of course,—what has that to do with the question of the fair value of the right of way of The Ohio Bell Telephone Company in this case?

Chairman Klinger: I don't know. It may have the purpose of at least attempting or tending to justify the answer that he did give on cross-examination; that is the only purpose I can see.

Mr. Turner: That is all we are after.

Mr. Burr: By a valuation made by some other telephone company, with which he had nothing to do?

Chairman Klinger: Yes.

Mr. Burr: Why, you might as well say that a valuation made by some telephone company out in Indiana could be used to support the testimony of this witness.

Mr. Calland: This happened to be in Cleveland.

Chairman Klinger: It is in Ohio, and it is a part of the property here in Ohio. It will go to its weight, I will concede that, but it is some testimony probably. He may give

it. It may not be much, but it may have some probative value. The motion will be overruled.

Mr. Burr: Note an exception.

Q. Which of the two companies was first in Cleveland with its plant?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. The Cleveland Telephone Company. That company [fol. 4655] was organized January 30th, 1890.

Q. In making up the unit costs which you used in the appraisal of the Cleveland Division of The Ohio State Telephone Company, how many men did you have assisting you?

A. One.

Q. How many typists did you employ?

A. None. The typing was done by the engineering department typist.

Q. How many calculating machines did you have use of?

A. One.

Q. You were engineer in charge of valuation for The Tri-State Telephone and Telegraph Company in the Minnesota Telephone rate case, were you not?

A. Yes, sir.

Q. Generally, what did that work consist of?

A. I was in charge of and responsible for the entire valuation procedure, inventories, unit costs, reproduction cost, accrued depreciation, and so forth, for the Tri-State Company in both the rate case procedure before the Minnesota Railway and Warehouse Commission and the transfer of properties between the Tri-State Company and the Bell telephone interests in the division of operating territory in the State of Minnesota. Two separate and distinct valuations were made, one as presented in the rate case proceedings, the other fixing the purchase and sale values of properties transferred from each to the other party in the purchase and sale transaction.

Q. Who made up unit prices from which reproduction cost was produced in this case?

A. I did.

Q. In making up the unit prices you applied in that case did you make up a schedule of so-called preliminary unit labor costs?

A. Yes, sir.

[fol. 4656] Mr. Burr: Are you now talking about the rate case?

Mr. Calland: I will find out.

Q. In this last answer with reference to unit costs, are you referring to the rate case——

A. Yes.

Q. The transfer and sale case, or both?

A. The rate case.

Q. What was the purpose of this schedule of preliminary labor units?

A. That schedule of preliminary or tentative labor cost was used for the purpose of analyzing the labor costs experienced by The Tri-State Company in its construction operations.

Q. Who made up this schedule of preliminary units in that case?

A. I did.

Q. How many men did you have as assistants in this work?

A. I did not have any. The preliminary units were made up by myself.

Q. How many typists did you employ on that work?

A. One.

Q. Did you employ any other help on that work?

A. Only clerical assistance in copying and drafting work.

Q. Did you compile a schedule of preliminary unit labor costs in the appraisal of the Cleveland Division of The Ohio State Telephone Company?

A. No, sir.

Q. Why not?

A. It was not necessary to do so for reasons already explained in my explanation of the source of and circumstances obtaining relative to the unit prices used in that case.

Q. Did you prepare a schedule of preliminary unit labor costs in making your reproduction cost appraisal of the [fol. 4657] outside plant property of The Ohio Bell Telephone Company which reproduction cost appraisal you have testified to before this Commission in this case?

A. No, sir, I did not.

Q. Why not?

A. It was unnecessary to do so because the costs experienced by The Ohio Bell Telephone Company in its construction operations had been analyzed by its appraisal department. I had in my possession the results of this analysis and also I had received a full explanation as to how the analysis was made. On the assumption that the explanation given was a correct explanation, applying a preliminary cost schedule to the Company's construction records would have been a mere duplication of something that had been done by the Company's appraisal department.

Q. Who made up the unit costs you used as a basis of your reproduction cost in the Minnesota telephone case?

A. I did.

Q. How many men did you have assisting you?

A. I did not have any men assisting me in making up unit costs. I had two clerks who worked on analysis of construction costs and performed the clerical work involved in making up unit cost schedules.

Q. How many typists did you employ on this work?

A. On unit costs, one most of the time, but not more than two or three at any time.

Q. In the Minnesota telephone case was there a larger number of unit costs required than in this case?

A. There were many times more in the Minnesota case.

Q. How many men did you have assisting you in the work of building up unit costs in your reproduction cost appraisal [fol. 4658] of the outside plant property of The Ohio Bell Telephone Company?

A. One.

Q. How many typists?

A. One.

Q. In making up your reproduction cost appraisal in this case, what was the maximum number of people you had employed?

A. Fourteen, including myself.

Q. Were the unit costs you used in your appraisal of The Ohio Bell Telephone Company's property prepared in greater or less detail than the unit costs you used in the Minnesota telephone case?

Mr. Burr: Wait a moment; ask him that again.

Mr. Calland: Mr. Burr, I am changing some of these questions so that you wont object because they are leading, is all.

(Question repeated.)

A. The units in this case were prepared in greater detail than were the units used in the Minnesota valuation.

Q. What is preliminary cost, so-called, in valuation procedure?

A. Preliminary costs, in valuation procedure, is ordinarily taken to mean such costs as would be incurred in the reproduction of a public utility property prior to the organization of the corporation; in other words, promotional expense.

Q. In the appraisal of the Cleveland Division of The Ohio State Telephone Company, did you include an amount for preliminary cost?

A. Yes, sir.

Q. Did you include an amount for this item in your valuation submitted in the Minnesota rate case?

A. Yes, sir.

[fol. 4659] Q. Did you in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company include any amount for the item preliminary costs?

A. No, sir.

Q. Why did you not include an amount for the item preliminary costs in this reproduction cost appraisal?

A. Such preliminary costs as would be reasonably incurred in the reproduction of the property and property rights of The Ohio Bell Telephone Company as of June 30th, 1925, are provided for in "General Expense," namely, incorporation fees, and so forth.

Preliminary Costs as properly interpreted implies a competitive situation in the public utility field.

Mr. Burr: I ask to have that stricken out; that is merely a conclusion of the witness.

Mr. Calland: He is testifying as an expert and giving his reasons.

Chairman Klinger: Yes, those are his reasons.

Mr. Burr: Note an exception.

The Witness: Repeating, so that the answer will be consecutive; Preliminary Costs as properly interpreted implies a competitive situation in the public utility field. Preliminary Costs have to do with investigations first as to whether or not circumstances in the field in which it is proposed to operate indicate whether or not features of the

undertaking necessary to assure the ultimate success of the enterprise are in evidence.

Promotional Costs such as contemplated in a proper interpretation of Preliminary Costs are incurred only in instances where a public utility is to be constructed and enter [fol. 4660] into competition for necessary financial support and also enter into competition for business with an existing operating public utility supplying the same or similar kind of service that will be supplied by the new company.

No such circumstances would obtain in the reproduction of the property of The Ohio Bell Telephone Company as of June 30th, 1925. The Ohio Bell Company enjoys a monopoly in the telephone business in the territory in which it operates. It is a subsidiary of and is controlled by The American Telephone and Telegraph Company.

Mr. Burr: We ask to have all the answer stricken out.

Chairman Klinger: Motion overruled.

Mr. Burr: Note an exception.

Q. You were consulting engineer for the City of Columbus in the recent litigation in the gas rate matter before the Federal Court of this district, were you not?

A. Yes, sir.

Q. Did you make a valuation of the gas distribution system in the City of Columbus and testify as to the value of that property in that proceeding?

A. Yes, sir.

Q. And in your valuation of that property did you include any amount for so-called Preliminary Costs?

Mr. Burr: I object; wait a minute. I move to have the answer stricken out. You can see where the cross-examination is leading. The witness testifies that recently he made a valuation and testified to a valuation of the gas distribution system in the City of Columbus in the Federal Court case, and as an excuse for having left out anything [fol. 4661] for preliminary costs in the case at bar is being asked whether he did not leave out preliminary cost or any allowance for preliminary cost in the Federal Court case.

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[fol. 4662] Chairman Klinger: Objection sustained.

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[fol. 4663] Morning Session

Friday, November 9th, 1928.

And thereupon, by reason of engagements of counsel, a recess was taken until 1:30 o'clock P. M. of same day.

Afternoon Session

Friday, November 9th, 1928.

And also: HARRY R. ALLENSWORTH, resuming the stand for further re-direct-examination, having been heretofore duly sworn, continued his testimony as follows:

Redirect examination.

By Mr. Calland:

Q. You have stated that you were responsible for the unit costs you used in your appraisals in the Minnesota telephone case. Were the unit costs you used in that case construction costs experienced by the Tri-State Company?

A. They were not.

Q. Were the unit costs you used in that case construction costs experienced by the Bell Company in Minnesota?

A. They were not. The unit costs I used in that valuation were not construction costs experienced by either the Tri-State Company or the Bell Company in Minnesota. The unit costs I used in that case were not actual costs either as to material costs, labor costs, indirect charges or overhead charges. The labor costs used in that case were very [fol. 4664] much higher than the labor costs actually experienced by the Tri-State Company in its construction operations.

Q. Why did you use labor costs in that case higher than construction labor costs actually experienced by the company?

A. For two reasons. First, the labor costs actually experienced by the company were on wage rates lower than the wage rates prevailing as of July, 1918, (the date certain of that valuation), and, second, in my opinion the property could not have been reproduced as of that date at labor costs experienced by the company adjusted to the then prevailing wage rates.

Q. What was the actual experience of the Tri-State Company as to tool expense?

Mr. Burr: We object; it has nothing to do with this case.

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[fol. 4665] A. There was no available record of tool expense incurred by the Tri-State Company in its construction operations.

Q. If you know, what was the actual experience of the Bell Company in Minnesota as to tool expense?

Mr. Burr: I object to the question.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception. Your Honors, that is as to a company that was not involved in the Tri-State case.

Mr. Calland: You went into it.

Mr. Burr: This witness made an appraisal of the property of the Tri-State Telephone Company in Minnesota; not the Bell Company at all.

Chairman Klinger: That would be objectionable if they were offering it in chief, but inasmuch as you have investigated that particular field they have a right to make a further explanation. That is all it goes to.

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[fol. 4666] Q. Go ahead.

A. The tool expense actually experienced by the Bell Company in its construction operations was 1.89 per cent of labor cost of construction.

Q. In the appraisal of the Cleveland Division of The Ohio State Telephone Company, what amount did you include for the item "Tool Expense"?

Mr. Burr: Note an objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. In the appraisal of the Cleveland Division of The Ohio State Telephone Company the amount included in the reproduction cost of outside plant for the item "Tools and Appliances" totaled $38,012.85. Of this total $33,- [fol. 4667] 000.00 was for the cost of automobile trucks used in construction, leaving for the item "Tool Expense" the amount $5,012.85. The amount included for the item "Tool Expense" in that appraisal was probably about one-half of one per cent of labor cost of construction.

Q. What amount did you use for the item Tool Expense in the Minnesota valuation?

Mr. Burr: Note an objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Not an exception.

A. 1.5 per cent of labor cost of construction.

Q. What amount did you use for the item Tool Expense in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company?

A. 2 per cent of labor cost of construction.

Q. You have stated that you were formerly valuation engineer for The Ohio State Telephone Company, one of the predecessor companies of The Ohio Bell Telephone Company; are you familiar with the construction costs and construction cost accounting of the Ohio State Company during the time you were employed by that Company?

A. Generally so, yes, sir.

Q. To what extent, if any, did the Ohio State Company incur what is known as supervision expense in its construction operations?

Mr. Burr: Note an objection.

Chairman Klinger: Was that involved in the cross-examination?

Mr. Calland: Why, certainly.

Mr. Burr: What difference does it make, Your Honor, whether the Ohio State Company had incurred what is known as supervision expense in its construction opera-
[fol. 4668] tions? What bearing has that on this case?

Chairman Klinger: It doesn't have any bearing on the case but it does go to the witness's——

Mr. Burr: If the Commission rules——

Chairman Klinger: It is not probative of any fact in issue in this case but it does go to the weight of the witness's testimony.

Mr. Burr: If the Commission holds that it is of no probative value in this case, we are fairly satisfied with that ruling, but we want to save the record and have our exception noted none the less. Thank you.

Commissioner Huffman: It is being admitted for the same purpose that your questions were admitted on cross-examination.

By Mr. Calland:

Q. Proceed.

A. Read the last question, please?

(Question read.)

A. The Ohio State Company experienced no construction supervision expense other than that absorbed as engineering expense.

Q. To what extent, if any, did the Tri-State Company incur what is known as construction supervision expense?

Mr. Burr: Objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Construction supervision expense as experienced by the Tri-state Company in its construction operations was 3.27 per cent of labor cost of construction.

Q. What amount did you include in that appraisal for the [fol. 4669] item "supervision"?

Mr. Burr: Objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. 10 per cent of labor cost of construction.

Q. What amount did you include for the item "Supervision" in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company?

A. 10 per cent of labor cost of construction.

Q. What was the Tri-State Company's experience as to construction engineering and general expense?

Mr. Burr: I object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. The Tri-State actual construction engineering and general expense combined amounted to 5.36 per cent of the total direct cost of construction operations.

Q. If you know, what was the Minnesota Bell Company's experience as to engineering and general expense?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. The Bell Company's actual construction engineering expense was 3.802 per cent of the total direct cost of con-

struction operations. General expense charged to construction was .568 per cent; in other words, the Bell Company's general expense was little more than one-half of one per cent.

Q. What amount did you use in your Minnesota valuation for the items Engineering and General Expense?

[fol. 4670] Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Engineering expense, 4 per cent, general expense, 1 per cent, of the total direct cost of construction.

Q. What amounts did you use in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company for the items Engineering and General Expense?

A. Engineering 5 per cent, general expense 2 per cent, of the total direct cost of construction operations.

Q. And in your Minnesota appraisal did the amounts you included for general expense include accidents and damages expense?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Q. And the amount included in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company for the item General Expense, 2 per cent of the total direct cost of construction, does that amount include accidents and damage expense?

A. Yes, sir, and also relief department and pensions or "employees benefit" expense.

Q. What amount did you include in the Cuyahoga appraisal for the item Interest during Construction?

Mr. Burr: Note our objection.

Chairman Klinger: Objection overruled.

Mr. Burr: Note our exception.

A. 3.96 per cent.

[fol. 4671] Q. What amount did you include in the Minnesota valuation for the item Interest during Construction?

A. Nine per cent.

Q. What amount did you include for the item Interest during Construction in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company?

A. Six per cent.

Q. What was the estimated construction period in the Minnesota case?

A. Seven years.

Q. What is the estimated construction period in this case?

A. Five years.

Q. Is the property of the Ohio Bell Company a much larger property than the property of the Tri-State Company in Minnesota?

A. Much larger.

Chairman Klinger: Just a minute. I notice the witness, in answering some of these questions, and especially the percentage, he allowed in one case nine per cent and in the other three and a fraction.

Mr. Calland: The reason for that is apparent in the questions I am coming to, the difference in the construction period.

Mr. Turner: One you have only a few months favorable weather and it takes longer to construct a certain amount of property.

Mr. Calland: The next question goes right to that point.

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[fol. 4672] Q. And you estimated it would take longer to reproduce the Tri-State property than it would take to reproduce the property of The Ohio Bell Company?

Mr. Burr: I object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir. The working season suitable for outside telephone plant construction in Minnesota is comparatively short. The cold season is of such duration and intensity as to make construction work of this kind during the winter season impossible excepting at an unreasonably high cost. Furthermore, the time required to accomplish a given [fol. 4673] amount of telephone construction work is not directly proportional to the dollars cost of construction.

Q. How was your allowance for interest during construction arrived at in the appraisal of the property of The Ohio Bell Telephone Company?

A. The amount provided in my reproduction cost appraisal of the property of The Ohio Bell Telephone Com-

pany for the item Interest during Construction, namely six per cent of total direct construction cost, is fixed on the basis of a five year construction period, allowing for capital to be invested in construction and not productive on an average through two years throughout the five year construction period. Allowing interest at the rate of six per cent on the full amount for half the unproductive period, or six per cent on half the amount for the full unproductive period, produces six per cent for interest during construction, the amount I have used in this appraisal.

Q. What amount did you include in the Minnesota valuation for the item "Omissions"?

A. One per cent of total direct construction cost of toll property and two per cent of total direct construction costs of exchange property.

Q. What amount did you include in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company for the item "Omissions", and why?

A. One per cent. The Ohio Bell Company's inventory has been checked by engineers representing the——

Mr. Burr: I object.

The Witness: Representing The Public Utilities Commission of Ohio——

[fol. 4674] Mr. Burr: I object. I think the witness should be cautioned to answer that way if and only if he knows.

Chairman Klinger: Well, of course the witness is presumed to tell only things that he knows. That was the oath that he took. Proceed.

Mr. Calland: I will ask a preliminary question there.

Q. In the statement with reference to the inventory having been checked, what is the source of your information on that?

A. Mr. Dorsey, an associate of Mr. Hagenah.

Q. Conversations with him?

A. Discussions with him, yes, sir.

. . . . . .

[fol. 4675] Q. Go ahead.

A. Under such circumstances, and in the absence of any report of discovered omissions of inventory quantities, it is reasonable to assume——

Mr. Burr: I object; that is just argument.

Chairman Klinger: He may finish it and we will see what it sounds like when he gets through.

Mr. Burr: Note an exception.

The Witness: It is reasonable to assume the inventory [fol. 4676] as reported to me by the Company is substantially correct. The amount I have included in my reproduction cost appraisal of this property for omissions is intended to apply to what further omissions may have occurred, if any, and moreover possible omissions in unit prices.

Mr. Burr: Objection withdrawn.

Q. In the Minnesota valuation what amount did you include in reproduction cost for the item Rights of Way?

Mr. Burr: I object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. $75,338.40.

Q. How was that amount determined?

Mr. Burr: I object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. From a detailed inventory showing each item of Right of Way enjoyed by the Company under private contract of some form or other, assigning to each item of right of way as inventoried the actual consideration passed at the time of acquisition and adding thereto an estimated cost of acquisition; that is, salaries and expenses of Right of Way agents, etc. The estimated cost of acquisition other than fees paid was taken from the records of the Bell Company operating in Minnesota.

Q. Did you include anything for right of way value or cost for poles and other facilities setting in or occupying public ways?

Mr. Burr: I object to that.
[fol. 4677] Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

Chairman Klinger: I understand this is not probative. It is merely explanatory as to how he arrived at his facts.

Mr. Burr: I am merely saving the record, and if there was some way that I could make the objection without interrupting the re-direct-examination, I would be glad to do it.

Mr. Turner: We will agree that the stenographer may put in the objection and the ruling and the exception.

Mr. Burr: May the record show that until otherwise ordered there shall appear in the record our objection to each question as propounded, the ruling of the Commission upon the objection and the notation of our exception?

Mr. Turner: Saving and excepting matters of form, which, if objection be made on the ground of form, our attention shall be specifically called to it?

Mr. Burr: Right. I object to that question.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Only such poles or other facilities that were placed in public ways under contract with some private party.

Q. The amount included in the Minnesota valuation for Rights of Way, that is $75,338.40, when expressed in terms of percentage of total outside plant, including interior block wires, would amount to how much?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

[fol. 4678] Mr. Burr: Note an exception.

A. .88 of one per cent.

Q. In the valuation of the Cleveland property of The Ohio State Telephone Company did you use material prices prevailing as of the date of that valuation?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. No, sir; wire and cable prices were higher than prices prevailing as of the date certain of the valuation.

Q. In the Minnesota valuation did you use material prices prevailing as of the date of that valuation?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. No, sir; material prices used in the Minnesota valuation were lower than prices prevailing as of the date certain of the valuation. Pole prices, wire prices and cable prices were generally about 15 per cent less than the then prevailing market prices of those materials.

Q. In that valuation why did you use material prices lower than material prices prevailing as of the date certain of the valuation?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. Because of economic conditions the use of the then prevailing material prices as to the materials mentioned, without adjustment or qualification, would, in my opinion, [fol. 4679] produce a reproduction cost higher than normal reproduction cost as of the date certain of the valuation.

Q. In making your reproduction cost appraisal of the property of The Ohio Bell Telephone Company as of June 30th, 1925, did you use material prices prevailing as of that date?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. Yes, sir.

Q. You have stated that in the Minnesota valuation you prepared a schedule of preliminary unit labor costs for the purpose of analyzing the Tri-State Company's records of construction costs and construction performance; did you make a quite thorough investigation of the Tri-State's construction costs and construction performance?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. A quite thorough investigation.

Q. Was the labor performance upon which you erected these preliminary unit labor costs greater or less than the labor performance actually experienced by the Tri-State Company?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. The labor performance actually experienced by the Tri-State Company was considerably greater than the labor [fol. 4680] performance upon which the preliminary unit labor costs were erected.

Q. Tell the Commission, if you can, just what labor performance the Tri-State Company experienced in its construction operations and how that performance compares with the labor performance upon which you erected labor unit costs in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company?

Mr. Burr: That question is of course doubly objectionable.

Mr. Calland: Not for any reason not heretofore expressed?

Mr. Burr: Note an exception.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Labor performance, locating and digging pole holes for Exchange poles on Tri-State construction in comparison with labor performance upon which is erected labor unit costs used in the reproduction cost appraisal of the property of The Ohio Bell Telephone Company is as follows:

Size of pole	Number of holes per man day Tri-State actual performance	Number of holes per man day used in O. B. T. reproduction cost
16	11.136	8.00
18	11.136	8.00
20	11.136	8.00
22	11.136	8.00
25	6.300	4.50
30	4.741	3.50
35	3.957	3.00
[fol. 4681]		
40	3.547	2.50
45	3.150	2.25
50	2.752	2.00
55	2.359	1.75
60	1.971	1.50
65	1.575	1.25

All od those figures have to do with the rate of digging pole holes; the number of pole holes dug per man per day in the actual performance of the construction of the Tri-State Telephone & Telegraph Company as compared with the performance that would be required to support the labor unit costs that I have used in this case.

Q. Go ahead.

A. Labor performance, locating and digging pole holes for Toll poles on Tri-State construction in comparison with labor performance upon which is erected labor unit costs of The Ohio Bell Telephone Company is as follows:

Size of pole	Number of holes per man day Tri-State actual performance	Number of holes per man day used in O. B. T. reproduction cost
16	11.169	8.00
18	11.169	8.00
20	11.169	8.00
22	11.169	8.00
25	6.112	4.50
30	4.563	3.50
35	3.857	3.00
40	3.599	2.50
45	2.893	2.25
[fol. 4682]		
50	2.492	2.00
55	2.204	1.75
60	2.000	1.50
65	1.862	1.25

Labor performance, setting Exchange poles on Tri-State construction in comparison with labor performance upon which is erected labor unit costs used in the reproduction cost appraisal of the property of The Ohio Bell Telephone Company is as follows:

Size of pole	Number of poles per gang day Tri-State actual performance	Number of poles per gang day used in O. B. T. reproduction cost
16	94.54	60.0
18	94.54	60.0
20	78.75	50.0
22	78.75	50.0
25	55.16	35.0
30	39.47	25.0
35	31.58	20.0
40	23.67	15.0
45	18.90	12.0
50	15.75	10.0
55	12.60	8.0
60	9.45	6.0
65	7.86	5.0

Labor performance, setting Toll poles on Tri-State construction in comparison with labor performance upon which

is erected labor unit costs used in the reproduction cost appraisal of the property of The Ohio Bell Telephone Company, is as follows:

[fol. 4683]

Size of pole	Number of poles per gang day Tri-State actual performance	Number of poles per gang day used in O. B. T. reproduction cost
16	108.10	80.0
18	108.10	80.0
20	96.09	70.0
22	96.09	70.0
25	75.40	54.0
30	62.19	45.0
35	49.53	36.0
40	34.54	25.0
45	22.09	16.0
50	16.53	12.0
55	13.81	10.0
60	11.03	8.0
65	8.29	6.0

Labor performance, handling and erecting cross arms on Tri-State construction in comparison with labor performance upon which is erected labor unit costs used in the reproduction cost appraisal of the property of The Ohio Bell Telephone Company is as follows:

10 Ft. 10 Pin Exchange Cross Arms

	No. cross arms per man day Tri-State actual performance	No. cross arms per man day used in O. B. T. reproduction cost
Unloading and Yarding	254.90	160
Assembling	70.65	45
Placing	18.93	12
	Team	Truck
Distributing	238.10	200

[fol. 4684]

10 Ft. 10 Pin Toll Cross Arms

	No. cross arms per man day Tri-State actual performance	No. cross arms per man day used in O. B. T. reproduction cost
Unloading and Yarding	215.99	160
Assembling	62.33	45
Placing	24.77	15
	Team	Truck
Distributing	163.93	160

Labor performance, handling and erecting aerial wire on Tri-State construction in comparison with labor performance upon which is erected labor unit costs used in the Reproduction cost appraisal of the property of The Ohio Bell Telephone Company is as follows:

Exchange Aerial Wire, Sizes No. 12 B.W.G. and No. 14 B.W.G.

Miles wire per gang day Tri-State actual performance	Miles wire per gang day used in O. B. T. reproduction cost
5.813 miles	5. miles

Toll Aerial Wire, Size No. 12 B.W.G. Iron and Copper

Miles wire per gang day Tri-State actual performance	Miles wire per gang day used in O. B. T. reproduction cost
7.75 miles	6.2 miles

However, in the case of exchange aerial wire there is provided in the unit cost used in the reproduction cost appraisal of the property of The Ohio Bell Telephone Company, one more lineman per wire erecting crew than was in the average size crew of the Tri-State Company.

Q. The Tri-State construction labor performance as stated by you is digging performance in average soil con- [fol. 4685] ditions including all kinds of soil, was it not?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Mr. Burr: The question is leading.

Chairman Klinger: Proceed. It is objectionable in form, but proceed.

Q. Does the Tri-State construction labor performance include lost time from all causes, traveling, rainy days or other interruptions?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Q. The Tri-State construction labor performance, in other words, includes the effect of all contingencies encountered in the work performed?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. Yes, sir.

Mr. Burr: The question is leading.
Mr. Calland: This is redirect-examination, and these were written, of course, to answer questions of Mr. Burr which were in this form and no objection made to them on cross-examination. If you want me to reframe it I will do it.
Mr. Burr: I do not think you should put the answer [fol. 4686] in the witness's mouth.
Mr. Calland: It is on the page; he can read it.
Mr. Burr: I do not think you ought to lead the witness.
Mr. Calland: I will reframe the question.

Q. What is included then in the construction labor performance?
A. The labor performance of the Tri-State Company as recited by me is the actual experience of that Company in so-called piecemeal construction. The average stated embraces all sizes of jobs, big jobs and small jobs.
Q. Are the unit costs used in the Ohio Bell reproduction——
A. Pardon me, I did not finish the answer.
Q. Excuse me.
A. And also the averages as recited includes the effect of all contingencies encountered in the work performed.
Q. Are the unit costs used in the Ohio Bell reproduction cost appraisal higher or lower than the unit costs you used in the Minnesota case?

Mr. Burr: That is doubly objectionable.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

Q. In the Minnesota valuation did you include anything in your unit costs for what the company in this case designates "Surveying Pole Lines."

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No, sir.

Q. Did the Ohio State Telephone Company ever employ [fol. 4687] surveyors to survey toll pole lines?

Mr. Burr: That is objectionable. It does not make any difference what the Ohio State Telephone Company did.

Chairman Klinger: What is the purpose of that question?

Mr. Turner: He is asked whether he did not put it in and he is here as an expert and he claims it is not a proper charge. Now they have asked him about this Ohio State Telephone appraisal and he is now answering that he put nothing in for that purpose, and we are asking if they had any such thing—if they ever had surveyors.

Mr. Burr: No mention was made of the term "Surveying toll pole lines" or "employing surveyors" in respect of the toll pole lines of The Ohio State Telephone Company.

Mr. Turner: But of your own company——

Mr. Burr: Yes, but what has that to do with whether the Ohio State Telephone Company 14 years ago ever employed surveyors to survey their toll lines?

Mr. Turner: We are getting up a theoretical appraisal here of reproduction costs and whether or not it is a proper item is the question, and that is what you reflected upon in asking your questions on cross-examination.

Mr. Burr: I did not ask him that.

Mr. Turner: But you opened the door.

Chairman Klinger: The objection will be overruled.

Mr. Burr: Note an exception.

(Question read.)

A. Not to my knowledge, no, sir.

Q. Did The Tri-State Telephone and Telegraph Com- [fol. 4688] pany ever employ surveyors to survey toll pole lines?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

Q. Did the Bell Company operating in Minnesota——

A. Pardon me, I did not answer your last question.

Q. Proceed.

A. The question, as I understood it, was, "Did The Tri-State Telephone and Telegraph Company ever employ

surveyors to survey toll pole lines?" The answer is "No, sir."

Q. Did the Bell Company operating in Minnesota ever employ surveyors to survey toll pole lines?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. Not to my knowledge, no, sir.

Q. Did you include any amount in your reproduction cost appraisal of the property of The Ohio Bell Telephone Company for what the company designates measuring and surveying lines?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No, sir. There is, however, included in my reproduction cost an amount for chaining and stenciling pole lines. It is my understanding that the company has no such item in its appraisal, namely, chaining and stenciling pole lines.

Q. Have you included in the toll unit costs you used in [fol. 4689] this case an amount for "Chaining and Stenciling Pole Lines"?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. Yes, sir.

Chairman Klinger: Just a word; the witness has answered certain questions in a way here that they do not give the Commission any information. The mere fact that the Bell Company up in Minnesota did not to his knowledge emplo*t* surveyors to survey toll pole lines is no evidence at all—the mere fact that he don't know. We don't know either.

Mr. Calland: If Your Honor please, that same thought occurred to me, but I was content with the record as it stands because on the cross-examination it was brought out that this witness did know something about the Bell Company in Minnesota, so I did not re-ask him the question. I think the record will show, when you read it again, that he does know about the Bell Telephone Company in Minnesota.

Chairman Klinger: Well, merely saying that "I don't know"——

Mr. Turner: He was an appraisal engineer up there and worked with the engineers of that company. Now the question after all is whether or not it is a proper charge here, whether or not he should in his appraisal here—it is reflecting upon his testimony in chief.

Chairman Klinger: That is not the purport of my remark. The way he answered the question, it leaves the [fol. 4690] answer of little or no probative value.

Mr. Turner: I realize that it goes to the weight of it after all.

Q. What provision have you made in your reproduction cost for the transportation of men engaged in this work of chaining and stenciling poles?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. The same as for other workmen employed in wire erecting crews.

Q. Os your treatment of this item in the present case the same as in the Minnesota case?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir. The unit costs used in this case provide for two trucks to accompany each toll wire erecting crew.

Q. In the appraisal of the Cleveland property of The Ohio State Telephone Company, did you include anything in your reproduction cost for transportation of men to and from the job?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. No, sir.

Q. In the Minnesota appraisal did you include anything in your reproduction cost for transportation of men employed on exchange plant construction?

[fol. 4691] Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. No, sir.

Q. In the Minnesota case you made an allowance for the transportation of men employed on toll construction and you also made an allowance for this item in the reproduction cost appraisal of the Ohio Bell properry, did you not?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Mr. Burr: Mr. Calland, you are just putting statements in the witness's mouth.

Mr. Calland: This has all been testified to.

Mr. Burr: I don't care anything about that. I don't think it is fair to lead the witness.

Mr. Turner: He has prepared questions and answers on paper and we have done it on both sides.

Mr. Calland: Is there anything improper in my making a statement in the question as to a statement heretofore made to the witness and then directing another question to it?

Chairman Klinger: Not in and of itself, no.

Q. How did you treat that item in your appraisal of The Ohio Bell Telephone Company.

A. In the same manner. I provided for the transportation of men employed on toll construction.

Q. In your cross-examination you were asked about the [fol. 4692] matter of carrying construction organizations through periods of unemployment; how was that matter treated in the appraisal of the Cleveland Division of The Ohio State Telephone Company and in your appraisal of the Tri-State Company?

A. The same way that it was treated here. There is no specific allowance made for carrying construction crews through idle time, such as the winter season.

Q. The average of pole sizes in the Company's inventory has been referred to as a 30 foot Class C pole; it also appears in the record that your unit cost detail shows that the labor performance digging pole holes for a 30 foot pole is 3.5 holes per man day. Also, you have stated that the average labor performance in your reproduction cost digging holes for all sizes of poles is about 4 1/6 per man day. Is there any conflict between these two statements?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No, sir.

Mr. Burr: Now I object and ask to have the answer stricken out. The question is doubly objectionable because it invades the province of the Commission. It is for this Commission to say whether there is any conflict between the witness's 3½ holes per man per day and his 4 1/6 holes per man per day.

Chairman Klinger: Instead of answering that it is not a conflict, he may give any answer that he may have.

Mr. Burr: Note an exception.

[fol. 4693] Mr. Calland: I will reframe the last part of the question then.

Mr. Burr: Let the record show my continuing objection and exeeption in the same manner as heretofore.

Q. Go ahead.

A. There is no conflict in those statements for the reason that the average 30 foot Class C pole is the result of averaging the Company's prices of all kinds and sizes of pole timber. The size of hole required to set a pole is not directly proportional to the cost of the pole timber. The figures you refer to are two separate averages.

Q. On page 2919 of the record you state, in answer to a question from counsel for the Company, "It will be found that the progression in prices for exchange poles follows a fairly uniform law of progression, and the toll poles in the smaller size poles are shown at the higher cost—I am speaking now of labor—shown at a higher labor cost than are exchange poles. After you get up to a certain height then it is shown that toll poles cost less to install than exchange poles. That of itself is inconsistent. If it cost more to install a toll pole 30 feet long, it should also cost more to install one 60 or 70 feet long." I understand you wish to correct that wording; will you please do so?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. In the statement as read I inadvertently interchanged the words "toll" and "exchange," which in effect reverses

[fol. 4694] the comparison. The statement should read, "It will be found that the progression in prices for 'toll' poles follows a fairly uniform law of progression, and the 'exchange' poles in the smaller size poles are shown at a higher labor cost than are 'toll' poles. After you get up to a certain height then it is shown that 'exchange' poles cost less to install than toll poles. That of itself is inconsistent. If it cost more to install an exchange pole 30 feet long, it should also cost more to install one 60 or 70 feet long." And in the last answer appearing on page 2919 of the record, the word "Exchange" should read "Toll" and the word "Toll" should read "Exchange."

Q. In your appraisal of the Minnesota telephone Company how was the item construction accounting treated?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Construction accounting was provided for in the gang organization, supervision, engineering and superintendence and general expense. Construction accounting is more or less a function of all of these divisions of construction work.

In the reproduction cost of outside plant of The Ohio Bell Telephone Company construction accounting is provided for in the same manner.

Q. In your appraisal of The Minnesota Telephone Company how did you treat the matter of gang organization, supervision, engineering and superintendence and general expense, particularly as to whether or not they were divided as to various component parts?

[fol. 4695] Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. In that case I made no separation of the gang organization, supervision, engineering and superintendence and general expense into what amount of each item was construction accounting and what amount was other expense.

Q. How were the items Supply Expense, Incidental Expense and Stable and Garage Expense treated in the so-called Cuyahoga appraisal?

Mr. Burr: Just a moment. Now we have gone on here and have heard question after question addressed to the witness's experience in the Minnesota and the Cuyahoga cases. I should like to know first whether we may have access to his record in that case, before moving to strike out all of his answers. The record is the best evidence, if it is any evidence at all; and then we would like to know whether we can have access to that and the transcript of the testimony in that case?

Chairman Klinger: I don't know as I get the import of your objection?

Mr. Burr: He is testifying as to what he did in that case.

Chairman Klinger: Do you mean in the Cuyahoga case?

Mr. Burr: In this other case; he has gone on here page after page.

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[fol. 4696] The Witness: Mr. Burr, you submitted to me while I was on the witness stand on cross-examination what you claimed to be a complete record of my testimony in the Minnesota case.

Mr. Burr: Oh, no.

[fol. 4697] The Witness: You referred to certain pages and had me read from them.

Mr. Burr: I referred to two or three pages in a single volume, if you will recall.

Chairman Klinger: Let us proceed. Have we a motion before us? Have you an objection in here?

Mr. Burr: Yes. We want this record. We want the record produced here because otherwise I want to move to strike out all reference to what the witness did in that case.

Chairman Klinger: Well, let the record show the motion to strike out is overruled and the exception noted.

Mr. Burr: Note an exception.

Q. How were the items Supply Expense, Incidental Expense and Stable and Garage Expense treated in the so-called Cuyahoga appraisal?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. In that appraisal there was no such item as Incidental Expense and no account was taken of any such cost. There was no item "Supply Expense". Purchase and Inspection

was treated as a separate item as was also Warehousing and Yardage. There was no item "Stable and Garage Expense" in that appraisal. The use of automobile trucks in construction was accounted for in "Tools and Appliances".

Q. How was the item "Stable and Garage" expense treated in your Tri-State valuation?

Mr. Burr: We object.

[fol. 4698] Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. There was no item "Stable and Garage" expense in that valuation. The cost of teams and teamsters was included in labor costs.

Q. How was the item of shrinkage and depreciation of supplies handled in the Tri-State appraisal?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. In making my study of supply expense experienced by the Tri-State Company I added to the reported total cost of handling materials and supplies two per cent for shrinkage and depreciation of supplies, for the reason of the amount of secondhand material handled which should have been depreciated in the supply account.

Q. What was the actual supply expense experienced by the Tri-State Company before any additions or adjustments made by you?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. 3.1 per cent of the total cost of materials disbursed.

Q. Reference has been made to labor costs per mile of exchange wire used in the so-called Cuyahoga appraisal. What labor cost was used per mile for No. 12 B. W. G. iron wire, No. 14 B. & S. Ga. Copper Wire and Drop Wires in that appraisal?

[fol. 4699] Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. The amounts used in that appraisal comparable to the amounts used in this case as labor cost per mile for the

sizes and kinds of wire mentioned are as follows: No. 12 B. W. G. Iron Wire $10.458, No. 14 B. & S. Ga. Copper Wire $12,458, Drop Wires, $2.326.

Q. What amounts did you use in the Tri-State valuation for the same item?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No. 12 B. W. G. Iron Wire $7.22; No. 14 B. & S. Ga. Copper Wire $7.98; Drop Wire $1.42.

Q. What amounts did you use for these items in the present case?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No. 12 B. W. G. Iron Wire $10.00; No. 14 B. & S. Ga. Copper wire $10.00; Drop Wires $1.4625.

Q. What comparable amounts did the Company use for this item in its appraisal in the present case?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No. 12 B. W. G. Iron Wire $13,486; No. 14 B. & S. Ga. Copper Wire $10.864; Drop Wires $1.707.

[fol. 4700] Q. You have testified in your reproduction cost in this case you make no separation of such items as general expense, engineering and superintendence, construction supervision, incidental expense, supply expense, and other similar items, into their possible component elemental parts, nor do you set up any organization personnel for these items; did you make any separation of these charges in your Minnesota valuation and did you set up any organization personnel for these items in that case?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. I did not.

Q. Did the Company in this case make any separation of its claimed amounts for such items or did it set up any organization personnel for them?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. No, sir.

Q. Where did you get the per square yard paving cost you used in determining the reproduction cost of paving actually cut in the installation of the Company's conduits and manholes?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. I used the per square yard paving costs used by the [fol. 4701] company as the basis of its alleged reproduction cost of this item.

Q. Were these per square yard paving costs supplied you by the company separated as to labor costs and material costs?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. They were not.

Q. You have been asked from time to time by counsel for the company as to whether you know of any Ohio telephone company having experienced as of June 30th, 1925, or thereabout, the various costs and expenses you have used in your reproduction cost appraisal in this case, and to each such inquiry you made answer as follows, that you know of no telephone company having experienced the costs you used as of that date. Please state why, in making up your reproduction cost which embraces in addition to other items, labor cost, incidental costs, supply expense, tool expense, the cost of motor vehicles used in construction, supervision, engineering and superintendence, general expense, construction accounting, interest during construction and taxes during construction, you did not use for such reproduction cost items the experience as of June 30th, 1925, or thereabout, of any telephone company?

Mr. Burr: We object.
Chairman Klinger: Objection overruled.
Mr. Burr: Note an exception.

A. The cost units and other items of reproduction cost upon which I have erected my reproduction cost appraisal [fol. 4702] in this case are average costs averaged over the entire property in its various classifications. As of that date or thereabout there was no property of the size of The Ohio Bell Telephone Company's property being constructed as an entirety. Any telephone construction work in progress in Ohio as of the date certain of this appraisal or thereabout would be of such small amount as compared with the company-wide property of that company as a whole that cost experience on such work would not be representative of average costs that would be applicable as reproduction costs in this case.

Mr. Burr: I would like to have the record show a motion to strike out the answer.

Chairman Klinger: Motion overruled.

Mr. Burr: Note an exception.

Q. In making up the toll unit costs used in this case, you have testified, have you not, that you used city wage rates?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Q. If you had used lower wage rates, that is, wages paid workmen on construction in addition to board and lodging furnished by the company, what difference, if any, would that make in your reproduction cost of toll outside plant?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

[fol. 4703] Mr. Burr: Note an exception.

A. It would not make any difference. If the lower wage rate were used, incidental expense would be increased to a sufficient amount to provide board and lodging and the resultant labor cost would be the same.

Q. You have stated that in the amount included in your reproduction cost of the property of The Ohio Bell Telephone Company you included an amount equal to one-half of one per cent of the cost of cable for the item "cable loss"; does that apply to all kinds of cable in the plant?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. No, sir, it applies to aerial and main underground cable. The amounts included in my reproduction cost of subsidiary underground cable and house cable for this item was more than one-half of one per cent; one per cent in the case of subsidiary underground cable and three per cent in the case of house cable.

Q. In figuring cable loss, did you figure the amount of metal that would be salvaged and deduct the value of the salvaged material from the gross cable waste or loss?

Mr. Burr: We object.

Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir.

Q. And in doing so did you figure that all of the metal cut away would be salvaged and sold as junk?

Mr. Burr: We object.

[fol. 4704] Chairman Klinger: Objection overruled.

Mr. Burr: Note an exception.

A. Yes, sir. However, in figuring cable loss I have taken no account of the fact that telephone cables are always delivered longer than length requirements. In my reproduction cost, to the inventory cable length is added sufficient cable to make an average three foot cable lap for each splice or an average allowance of six feet of cable to make the average cable splice.

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[fol. 4705] Before the Public Utilities Commission of Ohio

No. 3307

In re Rates the Ohio Bell Telephone Company

Morning Session

Monday, November, 26th, 1928.

And thereupon the further hearing of this matter was resumed pursuant to adjournment, before Honorables William H. Klinger, J. W. Huffman, and F. B. Mauller, Public Utilities Commissioner.

Appearances:

Hon. Edward C. Turner, Attorney General, and Mr. A. M. Calland, on behalf of the State of Ohio.

Mr. Karl E. Burr, on behalf of the Ohio Bell Telephone Company.

Chairman Klinger: Are all the parties ready?
Mr. Calland: Yes, Your Honor.
Chairman Klinger: You may proceed.
Mr. Burr: Mr. Allensworth may take the stand.

[fol. 4706] And also HARRY R. ALLENSWORTH, recalled for further cross examination, having been heretofore duly sworn, testified as follows:

Cross-examined by Mr. Burr:

Q. Mr. Allensworth, on your redirect examination you stated that in your so-called Cuyahoga Appraisal you used some of the unit costs published by the Ohio Independent Telephone Association; that is correct, isn't it?

A. Yes, sir.

Q. And you also testified that those were not your unit costs?

A. Yes, sir.

Q. And I believe you also testified that the unit costs used by you in that valuation, other than those published by the Ohio Independent Telephone Association, were arrived at by conference and agreement with the Commission's engineer, didn't you?

A. No; I said that all the unit costs were arrived at by conference with the Commission's engineer, including the unit costs published by the Independent Telephone Association.

Q. Were those unit costs which you say were agreed to between you and the Commission's engineer, your unit costs?

A. Yes, sir, they were my unit costs, made up by myself or under my direction, with the exception as noted.

Q. Well, I don't understand what you mean by "with the exception as noted"?

A. The unit costs published by the Ohio Independent Telephone Association were not my unit costs.

[fol. 4707] Q. Well, when you used them were they intended to be your unit costs; that is to say were they intended to represent your judgment of the proper unit costs?

A. They were intended, and did enter into the reproduction cost that I set up in that case.

Q. Yes, but did they represent your judgment?

A. I cannot say that they did.

Q. Will you say that they did not?

A. I cannot say that they did not. I don't remember at the time they made any particular inquiry as to the costs published by the Independent Telephone Association; that is I made no particular inquiry of the details of those costs.

Q. And notwithstanding that, you used them?

A. Yes, sir.

Q. In your judgment, were the costs used by you in that Cuyahoga Appraisal the true and correct unit costs to be applied to the respective classes of property which they represented?

A. They were proper unit costs to use in view of all the circumstances, in my judgment.

Q. What were the circumstances?

A. Well, there were many circumstances. One of the circumstances,—one of the most important circumstances was that that appraisal, as I recited many times, was made up with the full confidence of the engineer representing the Commission, and rather lengthy discussions from time to time on unit prices.

Q. Well, in all events, you applied those costs in arriving at your appraisal of the property, that is the property comprising the Cleveland Division of the Ohio State Telephone Company, didn't you?

A. Yes, sir, I did.

Q. And you filed that appraisement with the Commission [fol. 4708] over your signature?

A. I think so; that is I filed the results of the appraisal.

Q. That is you filed the appraisal based on those unit costs?

A. Yes, sir.

Q. And that appraisal, made in that way, was the only detailed appraisal of an Ohio telephone property ever made by you, to the best of your recollection, wasn't it?

A. No, sir.

Q. What were the other ones?

A. I made a number of other appraisals; I do not know that I can remember all of them offhand. One of them I remember was the Columbiana County property; another one was the Springfield property.

Q. And were both of those what may be terms- detailed appraisals?

A. Yes, sir.

Q. Are you sure of that?

A. Yes, sir.

Q. In your previous cross examination you were asked, "What is the source of your double wrapped cable prices?" and you answered, "The Standard Underground Cable Company, as given in the record." Where, in the record, are there any quotations of prices from the Standard Underground Cable Company for the No. 19, 22 and 24 double wrapped cable? We are unable to find them?

A. I suspect that those quotations are not in the record.

Q. Did you receive quotations from the Standard Underground Cable Company on Numbers 19, 22 and 24 double wrapped cables?

A. On 19 and 22.

Q. On 19 and 22?

A. Yes, sir.

Q. Will you let us examine the quotation on No. 19 gauge cable, double wrapped?

[fol. 4709] (Witness hands paper to Mr. Burr.)

Q. Do you mind our making a copy of this?

A. No.

Mr. Turner: I understand he consented.

Mr. Burr: He said he had no objection.

Chairman Klinger: The witness' answer is intended to say that you may make a copy. That is the import of the answer.

By Mr. Burr:

Q. From a reading of the record at the last hearing I am not clear in respect of some of your answers in the matter of your cable prices. You stated that in requesting cable quotations you gave to the Standard Underground Cable Company all of the specifications received from the Telephone Company, or from its engineers, covering the different cables on which the Standard quoted; do you remember that?

A. Yes, sir.

Q. Did you send to the Standard Underground Cable Company all of the copper, lead and antimony weights requested and received by you from the Telephone Company covering cables on which the Standard quoted?

A. I think so. I sent the metal weights on all of the cables upon which the Standard Undeground Cable Company quoted.

Q. Isn't it a fact that cables having the same number and gauge of wires, but of different types, that is to say Type T A 400 pair, 22 gauge; Type N A 400 pair, 22 gauge and Type S A, 400 pair, 22 gauge, call for varying weights of copper per foot or per thousand feet for that size and gauge of cable?

A. No, sir; if you have 400 pairs of 22 gauge wire, that weighs so much per foot, doesn't it?

[fol. 4710] Q. Don't different types of cable such as I say, TA 400 pair 22 gauge, type NA 400 pair 22 gauge and Type SA 400 pair 22 gauge call for varying weights of copper per foot or per thousand feet for that particular size and gauge of cable?

A. The difference in copper, if any, would be very slight. The big difference is in the lead.

Q. But isn't it true that they do have different weights of copper and lead and antimony according to the type of cable?

A. The- would have some difference in the weight of the lead and antimony because that is in the sheath, and because different types of cable have to do with different tightness of the core.

Q. And isn't it also true that these varying types have varying weights of copper also?

A. I say to the extent that they do, it should be very slight.

Q. But they do have varying weights?

A. Oh, I don't remember; I have not the weight specifications before me.

Q. Now, isn't it also true that the price of a cable of a given size and gauge depends in part on its particular weight per foot or per thousand feet of copper and its particular weight per foot or per thousand feet of lead and its particular weight per foot or per thousand feet of antimony?

A. Yes, sir.

Q. The letters or estimates sent you by the Standard Underground Cable Company covering single wrapped cables quote only one price for each type of cable and state that they "are based on copper, lead and antimony weights as given to us." Now, the Standard Underground Cable

Company's estimate for 400 pair 22 gauge single wrapped [fol. 4711] cable for example and tell the Commission how many pounds of copper per foot or per any other unit of measurement that cable contains?

A. Of course, I cannot tell that offhand; I have not the specifications before me. But I can answer that question and perhaps others that you have in your mind, by explaining that the particular specification and the particular weights of different cables sent to the Standard Underground Cable Company upon which they quoted prices, were the standards and the specifications upon which the Bell Telephone Company engineers had priced that particular kind of cable.

Q. Now, you state that cables having the same number and gauge of wires, but of different types, call for varying weights of copper per foot or per thousand feet for that size and gauge of cable, and by "weights" I mean the weights of copper, lead and antimony; that is correct, isn't it?

A. No, I did not say that. You said that.

Q. Very well.

A. I will repeat what I said. I said that there should be little difference in the weights of copper for the same number of pairs of the same size wire; and that there should be and is a difference in the size of the sheath, both as to thickness and diameter and that affects the weight of the lead and the antimony.

Q. Making various weights for lead and antimony?

A. Yes, sir.

Q. Now, I will ask you again, since the letters or estimates sent to you by the Standard Underground Cable Company covering single wrapped cables quote only one price for each type of cable, and state that they "are based on copper, lead and antimony weights as given to us." Will [fol. 4712] you please take the Standard Underground Cable Company's estimate for 400 pair 22 gauge single wrapped cable and tell the Commission how many pounds of copper per foot or per any other unit of measurement that cable contains?

Mr. Turner: Objection. I understood the witness to say that he sent the specifications that are given here in this case by the engineers of the Ohio Bell Telephone Company and those are the only ones upon which he got quotations.

Mr. Burr: Let me make it clear, if I can, for you. The information received by Mr. Allensworth from the company in respect to cables, contained varying weights of copper, lead and antimony for a given size of cable. That is true, isn't it, Mr. Allensworth?

The Witness: Will you read that question, please?

(Question read.)

The Witness: That is true insofar as you are referring to different weights and different types of cable.

Q. Now, therefore, you had, for say the 400 pair 22 gauge cable, varying weights of copper, lead and antimony for that particular type of cable, didn't you?

A. I don't think so.

Q. Do you mean to tell this Commission that for each of the sizes and gauge of cable on which you requested quotations and on which the Standard Underground Cable Company quoted you prices, you had only one weight of copper, only one weight of lead and only one weight of antimony for each of those respective cables?

A. Yes, sir, and further than that there was only one weight; there was only one cable specification sent to the [fol. 4713] Standard Underground Cable Company for each kind of cable and that particular specification was the one that the engineers for the Bell Telephone Company told me they had used in pricing cable for building up their appraisal of this property.

Q. The specification that you refer to did not contain any weights did it?

A. I don't remember as to that. If not, the weight specifications were attached to and made a part of the specification by the engineers of the Bell Telephone Company.

Q. Are you sure of that?

A. I think so.

Q. Positive of it?

A. Yes, sir, I am positive of it. If you want to narrow it down, I am positive of it in this way; that that specification—The Western Electric specifications were furnished me by the engineers of the Bell Telephone Company, and upon receipt of the specification I made particular inquiry as to the specific weight specifications associated with that particular cable.

Q. Now, what engineer furnished you with the specification?

A. Mr. Williams.

Q. And what engineer furnished you the information with respect to the weights?

A. Mr. Williams.

Q. As a part of that information didn't he furnish you with the catalogue of materials of the Ohio Bell Telephone Company?

A. Well, I was supplied with such a catalogue but whether it was delivered at that time or at some other time, of course, I do not know.

Q. And that was one of the papers which you said you returned to Mr. Williams after you had received quotations from the Standard Underground Cable Company, wasn't it?

[fol. 4714] A. I think so, but the cable weights were—all of the cable weights were not in that catalogue.

Q. But some of them were, weren't they?

A. I suspect so.

Q. That is your best recollection?

A. Those that were not, were furnished by Mr. Williams.

Q. Right. And Mr. Williams furnished you with several different weights for copper and several different weights for lead and several different weights for antimony for each of the sizes of cable and sizes on which you afterwards got quotations from the Standard, didn't he?

A. No, he did not. I never heard that the Western Electric had different weights for the same size and same type of cable. There is only one weight for any one size or any one type of cable.

Q. Didn't Mr. Williams give you a list of different types of cable?

A. I think so.

Q. And for those different types of cable did he not give you varying weights for copper and lead for the various sizes of those cables; isn't that true?

A. I don't know what you are driving at, Mr. Burr. I can answer it perhaps in this way, that of course the copper and lead weights vary with the size of the cable regardless of type. The lead, copper and metal weights so not vary for the same size and same type of cable. Do I make that clear?

Q. Now, the evidence in this case shows that for example, TA cable 400 pairs, the copper weight is 1.5909 pounds per foot; the lead weight is 4.1672 pounds per foot; the antimony is .042 pounds per foot.

For TA cable, 400 pair, the copper weight is 1.5805 [fol. 4715] pounds per foot; the lead weight is 3.5090 pounds per foot; the antimony weight is .035 pounds per foot.

For SA cable, 400 pair, the copper weight is 1.5741 pounds per foot; the lead weight is 3.2743 pounds per foot; the antimony weight is .033 pounds per foot.

Mr. Turner: Will you give us the page of the record that that is on?

Mr. Burr: I cannot give it to you. I don't know because it is in one of the exhibits.

Mr. Turner: About when was it introduced? The question, in our mind, is whether that was in evidence. I would like to verify it if it is assumed that it is in evidence. We are not objecting to the question if it is in evidence.

Q. In the cable data furnished you by Mr. Williams, the copper, lead and antimony weights for the 400 pair 22 gauge cable on each was:

Type ASA, copper 1.5825 pounds per foot; lead 2.7160 pounds per foot; antimony .0270 pounds per foot.

Type ANA, 400 pair, 22 gauge cable, copper 1.5837 pounds per foot; lead 3.2120 pounds per foot; antimony .0320 pounds per foot.

Type NM 400 pair, 22 gauge cable, copper .9975 pounds per foot; lead 2.6660 pounds per foot; antimony .0270 pounds per foot.

For the 400 pair 22 gauge cable how many pounds of copper per foot or per any other unit of measurement did you specify to the Standard Underground Cable Company as the basis for its quotations on that kind of cable?

[fol. 4716] A. The number of pounds per foot that I was informed by the engineers of the Ohio Bell Telephone Company represented that particular kind of cable in the plant.

Q. I am asking how many pounds in figures, if you please?

A. Of course, Mr. Burr, I could not tell that. I have already explained in the record that I sent those weight specifications to the cable factory and, on the return, I returned them to the Ohio Bell Telephone Company.

Q. But how many pounds of copper per foot or per any other unit of measurement did you specify to the Standard Underground Cable Company as the basis for its quotations for that kind of cable?

A. The number of pounds per foot that the engineers of the Ohio Bell Telephone Company told me correctly represented the kind of cable in the plant.

Q. Do you mean to say that they told you that there was only one type of that cable in the plant?

A. No, I did not say that.

Q. Then you cannot tell the Commission how many pounds of copper per foot or per any other unit of measurement you specified to the Standard Underground Cable Company as the basis for its quotations?

Mr. Turner: Objection. This witness has repeatedly said that he used the figures furnished him by the Ohio Bell Telephone Company's engineer and those figures themselves were sent to the Standard Underground Cable Company and upon the return by the Standard Underground Cable Company of those figures to him, he returned them to the Ohio Bell Telephone Company. How, if there is any question about that, let the Ohio Bell Telephone Company pro- [fol. 4717] duce them instead of reiterating their questions here to this witness.

Mr. Burr: Oh, no. We have a right to ask this witness how many pounds; not what somebody else told him or what he did in a general way, but how many pounds of copper per foot or other unit of measurement he specified.

Mr. Turner: He specified, as he said over and over again, just the engineer of the Ohio Bell Telephone Company specified and gave to him, and he sent those same figures over to the Standard Underground Cable Company and when they came back, the same figures were returned to the Ohio Bell Telephone Company. Now they are inquiring about something in their own possession. If there is any question about weights, let them produce their figures.

Chairman Klinger: I wish you would read the question and the witness' answer.

(Records read.)

Chairman Klinger: Can you answer more specifically; do you know anything about the weight. That is what he wants to know.

The Witness: Not as to specific pounds, if Your Honor please, as I have already explained.

Chairman Klinger: All right.

Q. What particular weight of lead per foot in pounds, or per any other unit of measurement did you furnish that

company as the basis for its quotation on that kind of cable?

A. The particular weight per foot that the engineers of the company advised me correctly represented the kind of cable in the plant.

Q. That is merely your conclusion.

[fol. 4718] Chairman Klinger: Can you tell what it was?

The Witness: No, if Your Honor please; those weights were furnished me. I sent them to the cable factory and they returned them to me and I returned them to the Ohio Bell Telephone Company. They are not in my possession.

Chairman Klinger: I understand, but what he wishes to know is——

The Witness: Of course that is very minute data, and it would be impossible to carry them in one's mind. There was probably hundreds of figures of those weight tables.

Q. What particular weight of antimony per foot in pounds or per any other unit of measurement did you furnish the Standard Underground Cable Co.?

A. The same answer as before.

Q. As the basis for its quotation on that kind of cable?

A. The same answer.

Q. What particular weight of copper, lead or antimony did you specify to the Standard Underground Cable Company as the basis for its quotation on any other kind of cable?

A. On all Western Electric manufactured cable, the weights specified to the Standard Underground Cable Company were the weights which the engineers of the Bell Telephone Company advised me correctly represented the kind of cable in the property. On the Independent manufactured cable, the weights and specifications were the standard product of the Standard Underground Cable Company.

Mr. Burr: I object and ask to have the answer stricken out, that it is the standard product and so forth.

Mr. Turner: You have his answer. You asked for it.

[fol. 4719] Chairman Klinger: All right; if you don't want it in——

By Mr. Burr:

Q. I will repeat; take any size cable referred to in any of the letters of the Standard Underground Cable Company in evidence in this case and tell the Commission what par-

ticular weight of copper or what particular weight of lead or what particular weight of antimony per foot in pounds or per any other kind of measurement that you may choose, you furnished the Standard Underground Cable Company as the basis for its quotation on that kind of cable? Please understand that I am asking you what particular weight in pounds?

Mr. Turner: Is that limited to Western Electric?

Mr. Burr: Any one of the cables on which the Standard Underground Cable Company quoted. That is in the question.

Mr. Turner: You asked that before.

Chairman Klinger: If you can answer it, do so.

The Witness: I thought I answered the question in my former answer. If the counsel is asking me for the copper weight in pounds for any particular kind of cable, of course, I cannot give that offhand.

By Mr. Burr:

Q. Can you give it for the lead?

A. Of course——

Mr. Turner: Just a minute; objection. If the Commission please, we demand that the Ohio Bell Telephone Company produce the figures which Mr. Allensworth returned to them and then we will give it to them. What is the use of spending this time here asking for something in their possession? Let us have it. We demand that they produce these figures. Here is a multitude of figures here that can-
[fol. 4720] not possibly be carried in a man's head. They were returned to the company, and now if the company wants them, let them produce them. We demand their production.

Chairman Klinger: Of course that would be the best way. The witness, as I understand, is unable to give those figures.

The Witness: I am unable to repeat the figures.

By Mr. Burr:

Q. Either in respect of copper or lead or antimony weights per foot, in pounds, or any other unit of measurement?

A. No; I have not those figures in my mind.

Mr. Burr: May we take a moment, Your Honor?

Chairman Klinger: Yes.

Mr. Burr: Counsel have asked for the cable weights furnished him by the engineer of the telephone company. Not because we want to hold back the statement of those weights but for the purpose of refreshing the witness' recollection, I will ask him whether the cable weight data that Mr. Williams furnished him is not still in his files?

The Witness: I don't think so; there may be some of it but not all of it.

Mr. Turner: If there is, then my demand goes to that which was returned. I understood it was returned and that is the reason I made the demand for it.

Mr. Burr: Quite so, and we haven't any reason to hold it back.

I may say for the benefit of the Commission and counsel, although they probably already know it, that Mr. Williams is ill; but he told me that he had never received back from Mr. Allensworth the cable data which Mr. Williams gave him, and I assume, therefore, that it is in Mr. Allensworth's file.

Mr. Turner: I understood from this witness a number of [fol. 4721] times that he had given it back.

Mr. Burr: I think he did return the specification and the book, the catalogue of materials.

Mr. Turner: And I am quite sure that at the last session he testified that he had given it back.

By Mr. Burr:

Q. To refresh your recollection, Mr. Allensworth, will you look at the four sheets which I hand you and which may be marked for identification Allensworth Cross Examination Exhibit 12-A, and tell the Commission whether you recognize it as the cable data received from Mr. Williams, or at least a part of that data?

A. Of course, Mr. Burr, there is no way that I can identify these sheets. This is a letter addressed to George B. Williams, Appraisal Engineer of the Ohio Bell Telephone Company and signed by somebody, manager of the Western Electric Company of Cleveland, and on these three remaining sheets there is six columns of figures on each sheet and in each column there is 28 or possibly 30 figures. Now, whether those are the statements of weights that Mr. Williams sent me, of course I cannot say. If they were, they were not those sheets, but were copies of those sheets.

Mr. Burr: I don't know how we can further facilitate. Counsel on the other side have requested us for a copy of——

Mr. Turner: No, no, not a copy; we asked you for that data; not a copy of it at all.

Mr. Burr: We can, I think, give you that. I do not like to let things like that go out of our possession but——

Mr. Turner: They were out of your possession.

Mr. Burr: But on Mr. Williams' statement that this is a correct copy——

Mr. Turner: Where is Mr. Williams?

[fol. 4722] Mr. Burr: We are letting counsel have it in response to their request that we give it to them.

Mr. Turner: There is no such statement of Mr. Williams here in evidence.

Mr. Burr: Oh, no, I am making that statement.

Chairman Klinger: He is making that statement as counsel.

Mr. Burr: Yes, and in response to your request for information.

Mr. Turner: No; for that data upon which you are attempting to re-cross examine this witness. You are attempting to re-cross examine this witness on data in your possession and I say that that data should be brought here now so that this witness may be re-cross examined, if you want to, on that data that you sent him, and if the weights are on it, he can read the weights that were given to him. You cannot expect a witness to carry all those figures in his mind. Now we want that bunch of data if they are going to cross examine on it.

Commissioner Maullar: Possibly if Mr. Allensworth will look over his files he might find that he has not returned it.

Mr. Turner: He says he has returned it. If he has not, I am out of order in making the demand. But he certainly said at the last session and has said it again here today and if there is any doubt about it we will have Mr. Allensworth look in his files again.

Mr. Burr: I asked Mr. Williams whether he had ever received the data back from Mr. Allensworth and he told me no, and that is one reason why I have assumed it is still in Mr. Allensworth's possession.

Commissioner Maullar: I thought possibly by researching his files he might be able to clear that up.

[fol. 4723] Mr. Turner: We will check it. If Mr. Allensworth has not returned it, there is no use making any demand here from the company.

Chairman Klinger: Just a moment. I understood Mr. Burr to state that this is a copy of it, if not the original, this piece of paper you have in your hand.

Mr. Burr: No; we gave the data to Mr. Allensworth.

Commissioner Huffman: However, you are submitting that as a true and correct copy?

Mr. Burr: To the best of my knowledge and belief.

Commissioner Huffman: Why not admit it subject to correction if——

Mr. Turner: It is not a question of admitting it in evidence; it is a question of cross examining this witness and we want to see it; that is what we asked for. We have nothing to check it against. We asked for the original data. Now they say we have it. If he has it, Mr. Allensworth will look it up and bring it over here but he said he hasn't it. What is the fact; have you that data, Mr. Allensworth?

The Witness: I have not. However, to be sure, I will be very glad to make another search and make doubly sure.

Mr. Burr: We have done the best we can in the matter. Mr. Williams has advised me that he has never received the data back from Mr. Allensworth. In fact he told me it was prepared for Mr. Allensworth so that Mr. Allensworth might keep it. And, while Mr. Allensworth has sent back the material catalogue, Mr. Williams has not received the cable data which he gave Mr. Allensworth in the form of these sheets.

The Witness: Mr. Williams did not say that I did not return the cable specifications did he?

[fol. 4724] Mr. Burr: No.

The Witness: Well, he is just mistaken on the other.

By Mr. Burr:

Q. He said that these sheets which I have shown you were copies of the sheets which he gave you and which he had not received back from you.

A. Well, he is just mistaken on that last detail, Mr. Burr.

Q. Will you look through your files and see whether you have it, because this is the best we can do?

A. I have only those you——

Chairman Klinger: Have you examined these sheets that Mr. Burr has shown you to refresh your memory as to

whether or not they contain the data those sheets did contain?

The Witness: I can testify, if Your Honor, please, that I never saw those particular sheets on that letter on the front of the sheets. Now, if the figures sent me were correct copies of that particular sheet, of course I would not know. I suspect it may have been——

Mr. Turner: Your Honors can see that there are six columns of figures on each one of these sheets.

Chairman Klinger: I understand.

Mr. Burr: The gentlemen on the other side asked the company for this information and now they don't seem to want it.

Mr. Turner: Oh, no, no, no, that is an unfair statement and I object to it. We asked you for the original data which was returned; not for some copy of a letter that has been handled between your officials. We want the data that was returned to Mr. Williams.

Commissioner Huffman: You did not ask for it in your order.

Mr. Turner: No, sir; we asked for the data that was [fol. 4725] given by Mr. Williams to Mr. Allensworth, sent by Allensworth to the Standard Underground Cable Company and returned by the Standard Underground Cable Company to Allensworth and then returned by Allensworth to Williams; that is the data we want.

Chairman Klinger: Well now gentlemen we are not getting anywhere. There seems to be a misunderstanding or dispute here as to whether that was returned or not.

Mr. Turner: We have had this same question up before as to the return of this data, and at a previous session this witness swore that the data had been returned. Now, Mr. Burr insists on cross examining him upon the contents of that data, "What figures did you furnish?" He tells him time and time again that the data was simply transmitted by the witness to the Standard Underground Cable Company.

Mr. Burr: What I have been asking him is what weight, in pounds, he specified to the Standard Underground Cable Company for this——

Chairman Klinger: And he answered that he could not give it.

Commissioner Huffman: He answered that he gave what the company gave him.

Mr. Turner: Yes, sir, that is what he answered; that he gave just what the company gave him, and now they are insisting upon re-cross examination of the witness of that document which is not here.

Chairman Klinger: Well, if he can answer it, it is all right for him to tell, and if he cannot, he can say that he cannot.

Mr. Burr: He has said he cannot.

Mr. Turner: Note an exception.

[fol. 4726] Mr. Burr: Then I understand that you do not want these sheets?

Mr. Turner: I do not want anything except the data that was furnished by the company to Allensworth and returned by Allensworth to the company; that is all I want.

Mr. Burr: To the best of my information and knowledge and belief we haven't it; it is still in Mr. Allensworth's possession, and while I am not undertaking to dispute his word in this respect,——

Mr. Turner: And we have sworn testimony here in this case as to the return of it.

Mr. Burr: Very well.

Mr. Turner: And there will be another search made at noon to see if we are mistaken.

By Mr. Burr:

Q. Then I understand also you cannot tell the Commission now what specifications for the cables, apart from the weights, you sent to the Standard Underground Cable Company?

A. The particular specifications that the engineers of the Commission told me correctly represented the kind of cable in the Bell Company's property, and the particular specifications upon which the engineers for the Bell Company had erected their unit prices.

Q. But you do not know what those specifications were now?

A. Why, of course not; I could not remember detailed cable specifications.

Q. In respect of that part of your redirect examination referring to the item of taxes during construction, did you investigate the amount of taxes paid by the Ohio Bell Telephone Company for the year 1925 or for any year since then?

A. Yes, sir.

[fol. 4727] Q. What use did you make of the amount that you found the company had paid?

A. I found the company had not paid any taxes on construction work in progress; therefore I could not make use of the zero.

Q. You misunderstood the question, I think, Mr. Allensworth. I said in respect of the part of your redirect examination referring to the item of taxes during construction, that is your one per cent.

A. Yes, sir.

Q. Did you investigate the amount of taxes paid by the Ohio Bell Telephone Company for the year 1925 or for any year about that time?

A. On property during construction, yes.

Q. No, not on property during construction.

A. I am answering that I made investigation of the taxes paid by the Ohio Bell Telephone Company on property during construction and the record shows they had not paid any taxes on property during construction.

Q. You are not answering my question. I am asking you whether you made any investigation of the taxes paid by the company, the amount of taxes in dollars paid by the company on its property for the year 1925?

A. The general taxes as an operating expense; is that what you are talking about?

Q. Yes.

A. Yes, sir, I have that statement.

Q. You have that statement?

A. Yes, sir.

Q. Did you make any use of it in connection with your computation of the item of taxes during construction?

A. Of course not; how could I? Operating taxes is in nowise comparable to taxes during construction on construction work in progress.

Q. Did you make any investigation of the tax rates in such counties as Cuyahoga, Franklin, Lucas, or any other [fol. 4728] county in which the company's property was located?

A. Generally so, yes, sir.

Q. Can you give the Commission the rates for taxes in any of those counties for the year 1925?

A. Not specifically but the rates run around two per cent, upward and downward.

Q. In spite of the fact that you used 1.59 per cent for taxes during construction in your Cuyahoga Valuation as the result of a detailed computation of the amount to be allowed for that item, you have only allowed one per cent for that item in this case, notwithstanding your admission that you used no computation in arriving at that per cent; isn't that true?

A. Yes, sir, but of course I did not, in any place in my testimony, testify that I made no computation.

Q. Are you sure of that?

A. Yes, sir, I am. And I wish to explain further that your question along that line always was, "Did I make a detailed calculation of the same form made by the company?" My answer was, "No, I did not make that kind of a calculation."

Q. In your redirect testimony you gave, over our objecti-n, the sum of $116,061.00 as the amount included in the Cleveland Telephone Company's appraisal as the cost of reproduction of its right of way; do you remember that?

A. Yes, sir.

Q. Was not that amount, namely $116,061.00, three per cent of the amount shown in that appraisal as the cost of reproducing the outside plant property?

A. I don't know.

Q. Now, your cost to reproduce the right of way of the company in this case is approximately one per cent of your total outside plant cost, isn't it?

A. I have made no such calculation. It may be.

Q. You don't deny it?

A. No, sir.

[fol. 4729] Q. You just don't know?

(No reply.)

Q. On cross examination reference was made to certain purchase and sale negotiations between the Tri-state Telephone & Telegraph Company and the Northwestern Telephone Exchange Company, the record page is 2870. Subsequently you gave a summary of your appraisal in the Tri-state case amounting to something over twenty-three million dollars as of December 31st, 1920. Did not that appraisal include the property purchased by the Tri-state Company from the Northwestern Telephone Exchange Company, and didn't it exclude the property sold by the Tri-state Company to the Northwestern Telephone Exchange Company?

A. Yes, sir.

Q. So that when you testified to that value of the property of the Tri-state Telephone & Telegraph Company, in the latter part of 1920, that company was not operating in competition with the Northwestern Telephone Exchange Company, was it?

A. Not as of that date.

Q. On redirect examination you testified that "such preliminary cost as would be reasonably incurred in the reproduction of the property for property rights of the Ohio Bell Telephone Company as of June 30th, 1925, are provided for in general expense, namely, incorporation fees and so forth." What part or amount of your general expense in this case represents that preliminary cost or expense.?

A. I think I have already testified that I made no separation of the general expense item.

Q. Can you give the Commission the amount or percentage of your general expense in this case represented by the preliminary cost?

A. No, for the reason that I have not made any such separation of the general expense item.

[fol. 4730] Q. Did you, yourself, check the company's inventory of the outside plant for the purpose of ascertaining either the correctness of that part of the inventory or for any purpose in connection with this case?

A. What company's property?

Q. I will reframe the question; it probably is not quite clear. Did you, yourself, check the Ohio Bell Company's inventory?

A. No, sir.

Q. On redirect examination, page 3394, you testified, over our objection, that the actual supply expense experienced by the Tri-state Company was 3.1 per cent of the total cost of material disbursed; do you remember that?

A. Yes, sir.

Q. And yet your allowance for that item in the Tri-state appraisal was seven per cent wasn't it?

A. I think so.

Q. And that seven per cent allowance in that case, where you were employed by the company, compares with the three and one-half per cent allowed for the same item in this case, doesn't it?

A. It does not.

Q. Are you sure of that?

A. Certainly; no comparison between the supply expense used in my Minnesota valuation and the supply expense in the Ohio Bell case; two separate and distinct items.

Q. I don't remember whether I asked you whether, along with all the other data that you furnished the Standard Underground Cable Company in connection with its price quotations, you sent over that material catalogue of the Ohio Bell Telephone Company?

A. I did not.

Q. You did not send that over?

A. No, sir. If there was any data in there that was forwarded, it was sent only by pages.

[fol. 4731] Q. Did you send some of the data contained in that catalogue by pages?

A. I could not answer that question, Mr. Burr; I don't remember.

Mr. Burr: I want to call attention, in passing, to the fact that at page 3152 of the record, the Attorney General stated as follows, in respect of the miscellaneous material costs said to have been received by Mr. Allensworth from the Erner & Hopkins Division of the Lake States Electric Supply Company, "If you will give us a list of that we will get at it and get that correct." I call attention to the fact that that has not been done.

Mr. Turner: There is something later on that, isn't there, Mr. Burr?

Mr. Burr: Oh, I think later you said you would not do it.

Mr. Turner: Well, don't that answer it?

Mr. Burr: It does not seem to me so.

Mr. Turner: Well, the record speaks for itself.

Mr. Burr: When a man agrees to do something and later says he won't do it, it does not seem to me that that quite complies with the agreement to do it.

Mr. Turner: Well, it changes it.

By Mr. Burr:

Q. Now, notwithstanding the copy of a letter from the Erner & Hopkins Division referred to as having been received by you, and stating that the prices which had been furnished you on the miscellaneous telephone equipment were not to be taken as actual billing prices, you still de-

cline to investigate the correctness of those prices, do you?

Mr. Turner: Read that question.

(Question read.)

[fol. 4732] Mr. Turner: Objection.

Mr. Calland: Will you indulge me with the page on which that statement is made?

Mr. Burr: I cannot tell you offhand.

Mr. Turner: While they are looking for that I might say to the Commission that the basis of my objection is this; as has been stated here, it is not the witness's willingness but the direction of counsel. We propose to have those witnesses on the stand where we can cross examine them with the data, and that is the only—that is the proper, the orderly way to get that testimony in. If any mistakes were made we want this new management to come in now and let us cross examine them and see whether the former management made mistakes in furnishing us prices.

Mr. Burr: There is no evidence in the record that there has been any new management.

Mr. Turner: Well, there is evidence that there has been a new management.

Mr. Burr: Oh, no.

Mr. Calland: Just as much as there is in the statement you now make as to what the letter contained; the same kind of evidence exactly.

Chairman Klinger: Well, gentlemen——

Mr. Burr: Page 3307.

Mr. Turner: This has been up before, if Your Honors please, and we have objected to it. It is not a question of what the witness will do. We are objecting to doing anything there at all until they come on the stand so we can cross examine them as to why they changed.

Chairman Klinger: That is not quite what this question [fol. 4733] goes to. In other words, if this witness can give this answer, he can say so, and if he can't he can say so. Can you answer this question?

Mr. Calland: Just a minute until we look at this page.

The Witness: Well, the first answer to the question as stated, is that I never received any such letter from the Erner & Hopkins Company containing any such statement.

By Mr. Burr:

Q. You admitted receiving a copy of such letter, didn't you?

A. How is that?

Q. You admitted receiving a copy of such letter, didn't you?

Mr. Turner: Objection. The record shows that it was a carbon copy of a letter to the Bell Telephone Company.

Chairman Klinger: I remember what the testimony was, but he answered that he never got it. Now, if he never saw the original, he don't know whether it was a copy either.

The Witness: Except that I can tell carbon typewriting from original typewriting.

Mr. Turner: He could not tell whether the Bell Telephone Company ever got it or not.

The Witness: No, I don't know that.

Mr. Turner: We are objecting to the introduction of evidence in this way.

By Mr. Burr:

Q. You received a letter in the mail, didn't you?

A. Yes, I receive letters in the mail every day.

Q. You received this one in the mail, didn't you?

A. I received a carbon copy of a letter addressed to the Ohio Bell Telephone Company.

Q. In the mail?

A. An unsigned letter.

Q. It was in the mail, wasn't it?

[fol. 4734] A. It came through the mail.

Q. Do you say it was not signed?

A. It was not.

Q. No signature at all on it?

A. No, sir.

Q. How did you know where it came from?

A. It was on the stationary of the Erner & Hopkins Company.

Q. One other thing; on redirect examination you discussed one or more of your percentages for undistributed construction expenditures, otherwise sometimes called general overheads, used in your so-called Cuyahoga Valuation; do you remember that?

A. I think I made some statement relative thereto.

Q. Now, whatever separate percentages you used or computed in that case, your total allowance for undistributed construction expenditures in that valuation amounted to

19.75 per cent. of your total labor and material costs there, didn't it?

A. No, sir. It probably did as to outside plant.

Q. Didn't you so testify in the record?

A. I so testified as to outside plant. That was not the way you asked the question.

Q. You are sure of that, are you?

A. I am sure that is not the way you asked the question, no, sir.

Q. You are sure your previous testimony on that subject applied only to outside plant?

A. I think so, as I remember it.

Q. Didn't that 19.75 per cent. apply to your total costs in that case?

A. Not as I remember it, Mr. Burr.

Q. Now, that 19.75 per cent. compares with your amount of allowance of 15 per cent. in the present case, doesn't it, for undistributed construction expenditures?

A. It certainly does not.

Q. Are you sure you did not so testify?

[fols. 4735-4852] If I did I made a mistake in my testimony.

Q. Very well. I think that is all, subject, however, to the reservation that if any particular matter should turn up about which we want to interrogate Mr. Allensworth briefly at some time, we may do it before the case is closed.

Mr. Turner: And the same for us; that is agreed to, isn't it, Mr. Burr?

Mr. Burr: Yes.

Chairman Klinger: Have you anything on your part?

Mr. Turner: No; I think we are through with the witness for the present. We are through altogether so far as we know unless Mr. Burr calls him back. Mr. Allenworth, so far as we are concerned, may be excused subject to Mr. Burr bringing him back.

Commissioner Huffman: He will be available?

Mr. Turner: Oh, yes, he will be available, yes.

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[fol. 4853] Before the Public Utilities Commission of Ohio

No. 3307

In the Matter of Investigation of Rates of The Ohio Bell Telephone Company

Morning Session

February 13, 1929.

Thereupon a further hearing of this matter was continued pursuant to adjournment, before Honorable Roscoe C. McCulloch, Chairman, William Klinger and Frank W. Geiger, Public Utilities Commissioners.

Present:

Messrs. Gilbert Bettman, Attorney General, Thomas J. Herbert and A. M. Calland, Special Counsel, on behalf of the State of Ohio.

Mr. Karl E. Burr and W. H. Thompson on behalf of The Ohio Bell Telephone Company.

Colloquy

Chairman McCulloch: There is set down for hearing this morning some matters in connection with the Ohio Bell Telephone Company, a consolidated case.

Mr. Calland: If the Commission please, may I suggest the appearance of Mr. Gilbert Bettman as attorney general in this case, Mr. Thomas J. Herbert, as special counsel, and Mr. A. M. Calland, continuing as special counsel in the case. I am already in the record.

Chairman McCulloch: Appearances for the other side?

[fol. 4854] Mr. Burr: Mr. W. H. Thompson and Karl E. Burr.

Chairman McCulloch: You may proceed.

Mr. Calland: If the Commission please, I suppose it would be proper and in order for someone to make a very brief statement of the status of the case for the benefit of the two new Commissioners, who probably haven't had an opportunity to examine the record. I shall do that and Mr. Burr, if I overlook anything that should be said, will supplement it.

This case has been pending before the Commission for several years; originated in a number of rate cases filed by various municipalities, and was consolidated into one hear-

ing which has been known as the state-wide or company-wide hearing of The Ohio Bell Telephone Company rates. The matter then proceeded in the usual way of the company submitting its inventory and appraisal of its property, following which an appraisal was made by an engineer employed by the Commission, Mr. William J. Hagenah of Chicago making that appraisal; and that was submitted, I should say, finally in December or January of 1926-27.

Following the submission and briefing of that appraisal, the then attorney general asked for an opportunity to make further investigation, and funds were appropriated for that purpose. As a result of that investigation there is in the record now an appraisal of the outside plant of the property made by Mr. Harry R. Allensworth. The status of that appraisal is that it has been submitted to the Commission and has been examined about and cross-examined about. I assume there will be some rebuttal testimony on the part of the company with reference to that appraisal, which is, as I said, as to the outside plant; distinguishing the outside [fol. 4855] plant from the central office equipment. And I imagine it needs no explanation; central office equipment being the exchanges and inside property of the company.

Chairman McCulloch: Including long distance?

Mr. Calland: So far as owned by the Ohio Bell Telephone Company, yes, sir.

There is also in the record one exhibit prepared and submitted by Mr. F. R. McBerty which has to do with the question of the evaluation of the Central office equipment. That exhibit was introduced and examined about in chief at the last hearing in December of last year; the company at that time asking for opportunity to examine it and study it before proceeding with their cross examination about it, which was granted, with the exception of a few preliminary questions which they asked at that time. That was in January of this year, I don't recall the exact date; the 10th or 11th, I believe, probably on the 11th. Then the matter was continued until this date.

Coming now to the present moment, the matter was continued on the 11th of January until this date, with the idea that the state would determine what further evidence they desired to offer, and that the company would have the opportunity to determine what cross examination they wanted to have at this time, if any, of the one McBerty exhibit.

Chairman McCulloch: Would you object to just clarifying the situation in our minds in regard to the central office equipment and the outside plant, and what it relates to?

Mr. Calland: Yes. The outside plant would consist of the pole lines, the wire, underground conduit and cables; and [fol. 4856] of course there would be in connection with that appraisal figures with reference to the construction overheads referable to it.

Commissioner Klinger: Yes, it includes right-of-way.

Mr. Calland: Right-of-way.

Chairman McCulloch: To what extent is this controversy; all over the state of Ohio?

Mr. Calland: Wherever the company's property is in the state of Ohio.

Chairman McCulloch: In every city?

Mr. Calland: Every city and municipality. In addition to the appraisal of the physical property, of course, there goes appraisals of what I have called construction overheads, working capital, and there has also been introduced, of course, the company's figures on their cost of establishing business. The testimony already in covers the outside plant and also covers the matter of construction overheads, working capital and cost of establishing business.

The exhibit prepared by Mr. Allensworth on the outside plant and these overheads, adopted and used the company's figures so far as the central office equipment was concerned, because he had made no investigation of that feature of the case.

Chairman McCulloch: Does the report so show, that he simply adopted it?

Mr. Calland: Yes. I may have used a wrong term; I want to explain. He didn't adopt them; he used them as the means of making up a new exhibit; using the figures of the company, but not any figures which he approved or adopted.

Commissioner Klinger: You mean by that he used their figures as to quantities and so forth?

[fol. 4857] Mr. Calland: Quantities and costs.

Chairman McCulloch: He used their basic figures and made no investigation himself?

Mr. Calland: Exactly. I wish to make it perfectly clear that he was not adopting and approving, but merely using for the purpose of completing the exhibit.

Chairman McCulloch: That only applies to central office equipment?

Mr. Calland: Yes. The outside plant his appraisal covers.

Chairman McCulloch: He made his original investigation on that.

Mr. Calland: Yes. Now, of course, that brings us to this situation, that after having developed and completed the case on the central office equipment, then the exhibit of Mr. Allensworth would be subject to modification, depending on whether there were any reductions in the central office equipment used, and if a reduction took place in those naturally there would be corresponding reductions in overheads.

Chairman McCulloch: What do you mean by that; there would be reductions based on what?

Mr. Calland: Well, the construction overhead figures are largely based on the amount of property involved in the set-up, and if that amount be reduced, it would automatically change some of those construction figures.

Chairman McCulloch: Overhead is an arbitrary percentage?

Mr. Calland: It is figured on a percentage. So with that explanation we are now in the midst of investigating the central office equipment appraisal; and to repeat, we had reached the point of having introduced one exhibit by [fol. 4858] Mr. McBerty on that subject at the last hearing, and it was continued till today to determine what further evidence we would want to introduce, and for the company, of course, to follow with their cross examination after we are through. Now, in October request was made of the company for some detailed information necessary to develop the matter of the central office equipment. Through the unforunate circumstance of the man who had most to do with the preparation of that data during the company's work on this appraisal going to the hospital for an operation, the company was then unable and has so far been unable to furnish us that information; and the question of what further evidence the state wants to introduce and what it will consist of, depends, of course, upon when we get that information and what it shows.

Commissioner Klinger: You mean then you don't know whether you are through or not?

Mr. Calland: We must have that information before we can finally tell the Commission whether we are through, and how much longer it will take us to get through.

Mr. Burr: If the Commission please, I am very glad that Mr. Calland has sketched the present situation in the case;

and in a moment I should like to supplement that. But, addressing myself first to the matter of this central office equipment detailed cost in respect to which we have been asked by the other side to furnish the details, it should be explained, I think, that those details run into thousands of figures, that were prepared by a Mr. Hayes some five years ago. As Mr. Calland says, Mr. Hayes, who is really the only one who can translate his notes and memoranda and [fol. 4859] his detailed costs, is still unable to do any work due to an operation on his eyes, and we have not, for that reason, been able to furnish these detailed central office costs. We have attempted to do it without Mr. Hayes' assistance, but find that that is a very difficult task. In casting around as to some way to obviate the present difficulty and enable us to go forward, it occurs to me to suggest that Mr. Hagenah, who was employed by the Commission, as Your Honors know, to make an evaluation of the property on behalf of the Commission, went into the matter of these detailed central office costs at great length, and some of Mr. Hagenah's men spent, I think, at least two months' time with Mr. Hayes going over those details.

According to my understanding, they took off the details themselves, and it occurred to me yesterday that possibly they could supply them to the gentlemen on the other side since they had already been supplied to the Commission's engineer, Mr. Hagenah, and presumably they are still in his possession. I haven't seen Mr. Hagenah or talked to him since he was here testifying before the Commission a long, long time ago, but I have understood in a roundabout way that whatever Mr. Hagenah has is available to the Commission and to the other side; and I made the suggestion to Mr. Calland yesterday that possibly all of this present difficulty could be obviated by getting these costs from Mr. Hagenah. Have you thought any more about that, Mr. Calland?

Mr. Calland: Mr. Burr, just to this extent. I, of course, do not know in what detail Mr. Hagenah may have the elements of property and in what form he has them. If, of course, he has the information that we have asked for and [fol. 4860] has it in intelligible and usable form, some time might be saved. Of course, you used in your statement, as I understood you, the matter of Hagenah's costs. Of course, we are not at this stage of the case interested in Mr. Hagenah's figures on cost. If we had been willing to accept Mr.

Hagenah's figures, this case would have been over years ago. So that we might be interested in saving some time in the matter of getting some information from Mr. Hagenah which would assist you in giving us what we have asked for, but so far as any of his figures, of course, we are not interested.

Mr. Burr: Well, will you make the request of Mr. Hagenah to furnish you with what he has?

Mr. Calland: Well, I haven't any objection to finding out what state his stuff is in, and determine whether we can use it.

Mr. Burr: I make that suggestion because I don't suppose he would like to give it to us because he was employed by the Commission; and of course whatever he has presumably belongs to the Commission and the Commission is entitled to have it.

Mr. Calland: We certainly wouldn't use it as the basis of any further evidence in this case unless the company were willing to say that it was correct information. We want the information accurate, and we would want your approval that it is what we ought to have.

Mr. Burr: Exactly. It is not with the idea that you would commit yourself in doing it, but only to save time since apparently this work has been done once.

Addressing myself to another phase of the case, I think [fol. 4861] counsel will bear me out in this further elaboration of the brief history of the case which he has given so far. Throughout 1923 and '24, or rather from time to time during those years, there were filed with the Commission certain rates for the services of the Ohio Bell Telephone Company in various exchanges, the rates applying to different exchanges. With respect to many of those exchanges and the rates applicable to them as filed, protests filed with the Commission created what have been commonly termed Pence law cases, and in October, 1924, the situation was such that there were pending before the Commission some 30 or 40 cases of that kind, each case involving separate exchange rates and the property valuation applicable to those exchanges. While I don't speak for the Commission as then constituted, I think the record will bear me out on the statement that the Commission realizing that the trial of one of those exchange rate cases would involve a great deal of time, and that in respect of all of the cases there would be a certain amount of duplication of tes-

timony and a certain amount of unnecessary time consumed, the Commission on October 14th, 1924, on its own motion, inaugurated an investigation of the rates and property values of the Ohio Bell Telephone Company for the state as a whole, including exchange and toll; and in that order all of the so-called Pence law cases were consolidated into this new case formed by the Commission for the purpose of investigating the properties as a whole. That new case has since been called consolidated case No. 3307; and I think we all understand what is meant when we refer to the consolidated case.

I think further that the main object of the Commission, [fol. 4862] and the record will bear me out in that respect, was to determine the value of the company's property as a whole, and to fix, if it might be done, a graduated scale of rates applicable to all exchanges, in the hope that the decision of the company-wide case might automatically dispose of all of the Pence law cases. I think you will agree with me in that, Mr. Calland.

That is what we are endeavoring to do in this case, but the Pence law cases are still pending, and we would like to have it understood that we do not want to close our part of this case without some disposition of those Pence law cases, and without the understanding that we are ready to go forward or will be ready to go forward in those cases at the conclusion of this case. It doesn't seem to me that we have to consider those separate cases at this time, but I think it should be understood that we will not be expected to go forward in those separate cases and perhaps do over again a great deal of the work that has already been done, unless and until the Commission so orders, and until we have had an opportunity to present those separate exchange rate cases. Can that be the understanding?

Mr. Calland: If the Commission please, this is a new thought to me, and my reaction to it at the moment is that those cases were in the hands of and under the control of the various city solicitors who filed them and prosecuted them originally. To what extent the attorney general, even if he were disposed to do so, could find those city solicitors, I would doubt, and I would say that is a matter that could not possibly be settled here this morning. I wouldn't feel like agreeing to any proposition on that.

[fol. 4863] Mr. Burr: Yes. Well, my point is this; that when the company-wide case was inaugurated the Commis-

sion said that they did not think it advisable to proceed with those Pence law cases at that time, of course, on the theory that this present consolidated case might dispose of all of them; and the record is just in that shape, and we think that the Commission ought to say at this time, at least, that they don't want us to go forward now or immediately at the close of the evidence of this consolidated case with those separate exchange cases; in other words that the decision or determination of the Commission not to proceed with those cases should be carried along and not be lost sight of after the three or four years' time which has elapsed since the Commission so determined.

Chairman McCulloch: I think it is going to be the purpose of this Commission to clear all the cases up just as soon as we can, in justice to everybody concerned, and I think I speak for the entire Commission when I say that we are going to expedite in every way we can and avoid all the involvment we can with a view to getting at a final determination of this whole question and get it out of the way; and anything that involves it I am pretty sure that the Commission would not be willing to agree to.

Mr. Calland: May I just say to the Commission on this point, my view of the matter is that the Commission has the authority to make such an order as Mr. Burr suggests, and so far as the attorney general's office is concerned, we have no objection to it, and I think that is the natural result of this whole situation. But as I suggested, those cases were cases of the various cities and city solicitors.

[fol. 4864] Chairman McCulloch: What is the natural result?

Mr. Calland: That it would never be necessary to try those Pence law cases over again.

Chairman McCulloch: In other words, if we dispose of this case, that that can be the basis of an order for the Pence law cases?

Mr. Calland: Yes, some allocation will be made. I think those cases should all be wound up in this proceeding, but I am not in a position to bind the city solicitors in this.

Chairman McCulloch: Why do they need to be bound? The Pence law cases are not going to be considered now, anyhow. They are pending in the record, aren't they?

Mr. Calland: Yes. Well, Mr. Herbert has just expressed his view in the matter and agrees with me that we see no

reason why that should disturb the Commission at all. The state has no intention to ever ask for hearings on those Pence law cases, and we believe that the Commission can and should dispose of all of those cases when they dispose of this case.

Mr. Thompson: The only position of the company, if the Commission please, is this. We are engaged now in this statewide hearing, and the first step is to obtain a tentative value of the property, and of course we will want to go ahead and cooperate with the Commission in order that that result may be rapidly reached. Now, we don't want any inference that by closing the evidence on this tentative valuation or on the final valuation, that we have waived our right to be heard with respect to the Pence law cases.

Chairman McCulloch: Are there any cases involved in this consolidated case that are not Pence law cases; aren't [fol. 4865] they all Pence law cases?

Mr. Thompson: No, they are not. In the first place, the Commission, on its own motion, instituted a state-wide hearing, whereas the Pence law cases only affected a part of them.

Chairman McCulloch: Yes. What does the consolidated case consolidate?

Mr. Thompson: It consolidates, as I understand it, the state-wide investigation of the Commission of all the then existing Pence law cases and certain of the cases that were not Pence law cases.

Chairman McCulloch: I would like to get what is involved in this consolidated case. All the Pence law cases are in the consolidated hearing?

Mr. Thompson: That is correct. Now, if it be necessary for the company, and I am not debating the question now whether it is or not, to put forward any evidence with respect to these Pence law cases, in other words this case being state-wide, by closing the state-wide hearing the company does not want to be foreclosed in the Pence law cases; and if the entire matter is to be disposed of together, then it is entirely conceivable that the company should desire to put in evidence with respect to these separate Pence law situations. We simply want an understanding so that we will not find ourselves foreclosed, or so that no misunderstanding will exist in connection with these Pence law cases.

Chairman McCulloch: What you really want is, if we make a finding in this consolidated case, you still want to be heard on those other cases?

Mr. Thompson: No, not at all. If the Commission thinks that it will expedite this matter by first deciding the state- [fol. 4866] wide case and not determining the Pence law cases we want an opportunity to thereafter put our evidence in in the Pence law cases. If, on the other hand, the Commission desires to dispose of the entire matter at once, then we want to put our Pence law evidence in before the evidence is concluded.

Chairman McCulloch: And you want us to rule on that today?

Commissioner Geiger: We can rule, but with the understanding that we want to get at the entire evidence as expeditiously as possible, and we don't want to continue this case unduly. It was consolidated for a certain purpose. Now, let us proceed along the line for which it was consolidated. But I imagine that the attorney general has quite a good reason to state that he doesn't feel that he might foreclose all city solicitors who are engaged in the particular cases which are a part of the consolidated case; is that correct?

Mr. Calland: That is correct.

Mr. Burr: Our only reason is that those separate cases are consolidated in this case.

Commissioner Geiger: I think we are wasting time over something that doesn't amount to anything.

Chairman McCulloch: If you don't ask for an order we will go ahead.

Commissioner Geiger: We will give you an opportunity to be heard on all matters of importance, but not to drag it out and make the continuance to hear separate cases a cause for delaying the matter.

Chairman McCulloch: I think we all understand each other. Let us proceed, try and get started.

Mr. Calland: Well, if the Commission please, then we are [fol. 4867] at the point of what we are going to do about this information which we must have before we proceed, and the suggestion has been made that there might be some of it available through Mr. Hagenah. I have no idea at the moment what that will develop, and I think I should make this suggestion; it was in my mind before and has

been emphasized by what the Commission has just said about wanting to expedite this case. The matter has been handled in such a way that the appraisal of the outside plant is a separate part of this case from the appraisal of the central office equipment. Now, as I said, the appraisal of the state on the outside plant is in and has been examined about and cross examined about, and it is now subject to rebuttal on the part of the Telephone Company, and I think the time which it seems is going to be required to complete our work on the central office equipment, might well be used in completing the case on the outside plant; the company proceed with its rebuttal testimony on that feature of the case and let us finish that up during this period while we are working on the central office equipment.

Chairman McCulloch: Any objection to that?

Mr. Burr: If that is to be done, there ought first to be a distinct understanding that the state is through with its testimony in chief in respect of the outside plant.

Mr. Calland: Well, we told you that a long time ago, Karl. We have been through with that three or four months.

Mr. Burr: The next thing that occurs to me is this. We thought this case was closed on the question of the tentative valuation; it certainly was submitted to the Commission on the evidence and the briefs in June, 1927. We are [fol. 4868] anxious to expedite the matter just as much as the gentlemen on the other side, and while the orderly way, of course, is for us to wait until all of their evidence is in, and I suppose we have that right, we will endeavor to go forward with the testimony which we have just as soon as we can do it in order to save time and in order not to wait until the other side has concluded their testimony.

Chairman McCulloch: Now, can you set down a time that you want to proceed with the hearing?

Commissioner Geiger: Have you no evidence this morning?

Mr. Thompson: I have one further suggestion to make, if I may. The state is uncertain whether it desires to use Mr. McBerty further or not; I understand that question will depend somewhat, if Your Honors please, on the question of——

Mr. Calland: There is no uncertainty about it if we get the information we asked for. We will use him, if we get the information necessary to do it.

Mr. Thompson: All right. In order to further expedite this matter, we are willing to go forward today with cross examination of Mr. McBerty down to the point to which he has already testified; it will gain that much time; provided that if his further testimony relates into the testimony already given and suggests some new line of cross examination, that we shall not be foreclosed on that.

Commissioner Geiger: That is fair enough.

Chairman McCulloch: Do you want to come to an understanding about the time that you will need to proceed with this other line of proof?

Mr. Herbert: I was about to ask the Commission before [fol. 4869] we come to the cross examination here if it is not possible to determine some definite time; a week, two weeks, thirty days or some time in which we may secure the figures which I understand have been promised to the engineers in the employ of the Commission for some two or three months; because, as it goes, Mr. Burr is not at all certain as to any definite date of return to work of this Mr. Hayes, and it seems to me rather odd and unusual that a utility, the size of this one, would have one man and one man only on whom they are entirely dependent for such a mass of figures as are being requested in this instance—I don't mean figures; I mean items of equipment in this central office equipment.

Chairman McCulloch: Can counsel give some idea of how soon they will be able to furnish those figures or the data requested?

Mr. Thompson: Mr. Calland, is this a reasonable suggestion in connection with this information; that you, as special counsel for the Commission, apply to Mr. Hagenah to furnish this data which he obtained from the company with Mr. Hayes' cooperation; that you be bound in no way to use that data,—of course, you are not bound by Mr. Hagenah's statements; that when the data comes you then exercise your independent judgment after looking over it and checking it with Mr. Burr as to whether it meets your request. Now, that can't hurt anything, and if Mr. Hagenah has it available it should be in your hands within a few days; and if you are not bound by anything that you get, there is at least a chance that the information may be what you want.

Mr. Calland: Well, I think we can settle that part of it [fol. 4870] pretty quick. The state is willing to use infor-

mation with reference to this central office equipment which the company is willing to say to us is responsible information. Now, if getting the Hagenah figures here will assist the company in reaching that conclusion and saying to us, "Here is the information and you can use it", we are willing to cooperate to the extent of asking Mr. Hagenah to send it.

Mr. Thompson: That is fair enough.

Chairman McCulloch: It is a matter of counsel agreeing as to what you are going to do about it.

Mr. Burr: That is exactly true.

Commissioner Geiger: Who did Mr. Hagenah represent?

Mr. Calland: The Commission. Not the attorney general's office; he was the Commission's employee.

Chairman McCulloch: It is a matter of whether they would want to use it after they would get it.

Mr. Thompson: Exactly, Your Honor.

Mr. Herbert: May I ask counsel, if the Commission please, does this mean the end of any attempt by the Telephone Company to furnish the figures from their own records? What I am trying to get at is to get something definite. If Mr. Hayes is coming back to work, let us find out when, and if he is not, does the telephone company expect to go from now on without ever having those figures compiled by any one man? That is the point I am trying to get at.

Mr. Burr: Your Honors, in the first place there isn't any mystery about these central office costs. The central office costs are, in considerable detail, already in this case. But Your Honors will understand that there are thousands and thousands of different kinds of circuits, and that those cir- [fol. 4871] cuits are made up of a great many separate things, wire, relays, maybe batteries in connection with it, resistances, switches, all sorts of things of that kind that go down to the most infinitesimally small items. The man who is making up his costs in respect of those circuits, for example, finds for one circuit many, many separate costs.

Mr. Calland: Mr. Burr, may I interrupt there? You continually refer to the matter of costs. Now, we haven't asked for costs. We want the items and the details; we don't want your costs. We want the figures on what it is and the details of what it is, a list of it; and we will put the prices on it for our purposes.

Chairman McCulloch: We will determine the values from that.

Commissioner Geiger: You should have those in your office.

Mr. Burr: Do I understand that you do not want the details of our central office equipment costs?

Mr. Calland: The prices for which you put them in this appraisal; not your costs.

Mr. Burr: Well, we are talking, of course about the cost of reproduction.

Mr. Calland: If that is what you mean, we want that, but not going into your matter of costs.

Commissioner Geiger: May I ask one question? Are we fixing the value of these public service utilities as of a definite past date, or are we getting into new stuff every time we hear a case? Is it 1924 or some other time like that?

Mr. Thompson: The evidence has been directed to June 30th, 1925.

Mr. Calland: Yes, the appraisal is as of a date certain; that was the date the case started.

[fol. 4872] Chairman McCulloch: I thought it was October 14th, 1924.

Mr. Burr: I can answer that, I think. It is true, of course, that the case was inaugurated in October 1924 and the company was ordered in the consolidation order creating this case to file an inventory by December 1st, 1924. That the company did. Then at the hearings it became evident that there would be a delay in the case due to the fact that an appropriation was being asked from the Legislature, and it was proposed to employ an engineer on behalf of the Commission who would act for it in the valuation of the property. A long delay resulted, and in order that we might bring down our valuations to the nearest possible date, that is to the latest possible date, we brought our inventory and our valuations down to June 30th, 1925 and the property was evaluated on the basis of that date. That was the latest date as of which we could produce figures at that time; that is with the understanding that we always do it at six months' intervals. Then after the valuation as of June 30th, 1925 was offered in evidence we brought down that evaluation from time to time at six months' periods by showing the Commission what the net additions were, or what net additions had been constructed and added subsequently to June 30th, 1925.

Commissioner Geiger: Do I understand this matter correctly, that your rate is to be fixed upon the value of the property as of the date when you made your application and not on subsequent additions thereto up to this time? Don't those constitute new cases, new applications for increase of rate?

Chairman McCulloch: It is a question of what the rule is, isn't it? The rule is for the value of the property used [fol. 4873] and useful at the time of regulation.

Mr. Calland: At a date certain, which has been fixed as of June 30th, 1925. Isn't that correct?

Chairman McCulloch: How was it fixed?

Mr. Herbert: By the Commission.

Commissioner Geiger: By the law.

Chairman McCulloch: No, it wouldn't be by law.

Commissioner Geiger: We are trying new rates on the value of property at the time the rates were made.

Chairman McCulloch: Will counsel tell us how this date of June 30th was fixed?

Mr. Calland: I shall attempt to make my understanding of it clear to the Commission. Of course, in arriving at a valuation there of necessity must be some definite date to work to. I haven't examined this record because this hasn't come up before to determine just how this particular date was arrived at, but I would expect to find it was by order of the Commission fixing that date, or by agreement in some way. As you understand, the company began collecting these rates under bond at or about that time, so that naturally the Commission in determining whether the rate was proper and what should be done with the money collected under bond of necessity must determine a valuation as of the beginning of that period.

Chairman McCulloch: May I interrupt? Of course, the collection under bond at various towns began at various times. In our town of Canton it began a couple of years ago, and here is a case four years ago. You have got a consolidated case. How are you going to apply a rule to be fair to all the community?

[fol. 4874] Mr. Calland: Your Honor has hit upon a question that has disturbed all of us a great deal, about what we are going to do after we get the valuation fixed.

Chairman McCulloch: Isn't it important in getting a valuation? If you fix a general value how are you going to get at it?

Mr. Calland: Well, of course, as suggested by Mr. Burr, and entirely properly, the company has brought in its additions and betterments, and I presume will bring in others since the day certain. The day certain gives us a starting place, and then we work to changes thereafter, and that will have to be determined by the Commission. But we start with a day certain to have a definite date to work from. If once you get a valuation as of a day certain, then the matter of adding to it or taking from it is not such a hard matter; but you must get the basis to start with, and in this case that happens to be June 30th, 1925, I think, by order of the Commission or by agreement.

Chairman McCulloch: Have there been any cases brought into this situation where you filed a bond and schedule of rates making them effective after the suspension period subsequent to June 30th, 1925?

Mr. Burr: Yes, Your Honor.

Chairman McCulloch: Well, how are you going to deal with a situation like that? You certainly can't charge a city that has come in under bond where the rates have been collected subsequent to that period; it certainly can't charge them with a valuation as of that period.

Mr. Calland: Certainly not; and as I suggested a while [fol. 4875] ago, once the determination of the value as of a day certain is fixed, then comes the job of allocating that to the towns or exchange areas in which the rates apply in which that property is located; and Your Honor has suggested that some of these towns may have had a somewhat different date as to the beginning, and of course, the additions and betterments will have to be handled in such a way that the Commission will have before it the situation applicable to that particular exchange area. That is a matter that we, of course, must work out before we finish this case; but first we must get this definite basis to start with.

Chairman McCulloch: Well, I think we are in favor of expediting it and moving it along. Counsel might as well have those questions in mind, because we are going to try to determine them.

Mr. Calland: We have them in mind and are looking forward to the job of having to do that very thing.

Mr. Thompson: I think the Commission can begin to see the position of the company taken a moment ago with respect to these Pence law cases, because there are these differences that exist, and that is the reason we didn't want

to be foreclosed on evidence of valuation as of June 30th, 1925.

Chairman McCulloch: I don't know of anything that forecloses you. What would foreclose you; what forecloses you in any way?

Mr. Thompson: Suppose this consolidated case—if I may go back, in this consolidated case there are included all the Pence law cases——

Chairman McCulloch: Well, it isn't a question of one. They are all included.

[fol. 4876] Mr. Thompson: All right, they are all included. All right.

Chairman McCulloch: How about some that arose after—

Mr. Thompson: Some are and some are not. All that arose prior to the consolidation are in.

Chairman McCulloch: Can't we get clear what is in and what is not?

Mr. Thompson: We will furnish you a list.

Mr. Calland: It is in the brief.

Mr. Thompson: Now, suppose the case is concluded on a valuation as of June 30th, 1925 without any specific evidence being introduced with respect to these various cities and towns that Your Honor had indicated; then someone might take the position that the company was foreclosed.

Mr. Calland: No, it wouldn't.

Chairman McCulloch: Well, it wouldn't seem to me fair to foreclose anybody under all these unforeseen rules, because the cities probably are as much interested in the valuation at a day certain as the company. I can't see that there is any chance of foreclosing anybody in this matter.

Mr. Thompson: With that statement I am satisfied.

Commissioner Geiger: The thing I haven't got clear in my mind, yet, you have made application at a certain date for the increased rate, and under the Pence law you began collecting your rates, which are now held under bond. Now, does that relate to the value of the property at the time when you made your application or does it relate to the value of the property when we make final decision? Are you going to stop at the date of your application or are you going to put in everything that has been put in for improvements, [fol. 4877] betterments and additions since that date, because we never will get through then, if you are entitled to put in new stuff clear up to the hour at which the decision is made. Now, it occurs to me what we are trying here is

the value of the property as of the date when you made your application, and we are not concerned at all about the additions that were made since. That would be the basis for an additional and different application for increase of rates. That would be the way it would occur to me at first blush.

Chairman McCulloch: We have got an involved situation here, and I think I state the sense of the Commission when I say we will not make any order about it at this time of any kind, and if there is any order desired, then counsel should argue it and set it out in the record and we will settle it. But up to this moment I don't want anything that has been said from the bench to be construed as an order or finding on any question.

Mr. Herbert: If the Commission please, while all these points have been raised, not one of which we are yet ready to take up in any logical sequence, we are still getting away from the main point that we are after here now, and that is when and how are we going to get the figures that we need for Mr. McBerty's evidence to be completed? Mr. Burr has repeatedly stated to me, and I believe him, that their intentions are to expedite this issue as much as possible. We are confined now solely to one point, and that is to completing the state's case in order to determine the valuation as of June 30, 1925. From that we can go to all these other points that have been taking up the time of the Commission [fol. 4878] for the last half hour; but until we reach that point all the points that have been raised now are secondary to that in my opinion, and I think that we should know before we go ahead today when and how we are going to get the information necessary for us to complete the testimony of the state on the question of central office equipment.

Chairman McCulloch: If counsel for the company can answer the questions of the attorney general's representative, maybe you can close that in a moment. If you can't, you ought to get into an agreement about it, or if you desire it, we will issue an order.

Mr. Burr: Our hope has been that Mr. Hagenah has these details; and I know you don't know whether he has or not.

Mr. Calland: I don't know.

Mr. Burr: But it was all worked up for him once with his men, by our men; that is why we have suggested that we try first to see if he has these details. We can't consistently ask for them because I don't suppose that he could consist-

ently give them to us. And that is our suggestion; that is why we suggested that you ask for them. Let us have them and let us see whether we can say they are all right. If they are, then we will turn them right back to you.

Mr. Calland: The Commission can ask for them.

Chairman McCulloch: It seems rather strange, Mr. Burr, that the state should have to go to the Commission's representative for the figures which you have. That is a little out of the ordinary, and of course unless you can't furnish them or have some reason for not furnishing them, I think they ought to get them from you.

[fol. 4879] Commissioner Geiger: Well, do you have copies of everything he has, or that you furnished him?

Mr. Burr: I can't tell you that; that is, to say, we turned over these things to his men and had our man there for say two months with him. Now, he may have told some of it verbally, I don't know. But we have not a copy that we can give over to this Commission now of the details of those costs; we haven't that. Am I right in that, Mr. Williams?

Mr. George Williams: That is true, yes, sir.

Chairman McCulloch: Well, where are you going to get them? You are going to have to get them sometime; where will you get them?

Mr. Burr: I don't know.

Chairman McCulloch: You mean in all this time we have had this case before the Commission there isn't a record of the detailed items and costs somewhere in the record as they existed in 1925?

Mr. Burr: The details, which as I say, are these infinitesimally small figures have never been put into the record in this case, and Mr. Hagenah's men, as I understand the situation, went over those details with our Mr. Hayes, and that after that Mr. Hagenah testified to the central office equipment costs.

Commissioner Geiger: Well, Mr. Hayes has a record of it.

Mr. Burr: Now, since that time nothing has been said about the details until we were asked for them, I think it was in October, and always since then Mr. Hayes has been unable to do any work. Now, the situation is embarrassing, very. Your question, Judge Geiger, embarrassed me very much.

[fol. 4880] Commissioner Geiger: I didn't mean it that way.

Mr. Burr: I know you didn't intend it that way, but it did embarrass me very much, because we have made an honest effort to get this material together without Mr. Hayes' assistance, and we find we can't do it. We can go a certain way and we can't go any further. He is the man who has lived with these costs for years and years and years.

Commissioner Geiger: Well, hasn't he made a record of them somewhere?

Mr. Burr: We have, of course, in the evidence in this case, the costs as they combine these small details; they are already in this record. But we haven't, so that we can put our hands on it and say, "These are the details making up these costs." We haven't that evidence. We have a large mass of Mr. Hayes' lead pencil memoranda which he used, just like putting down 3 and 4 and 5 and adding them up; this small amount for this item and this small amount for this item and so on. Now, that is the way these costs were made up; and we have how many sheets, Mr. Williams?

Mr. Williams: Oh, there are thousands of them; I don't know how many.

Commissioner Geiger: Thousands of items or thousands of sheets?

Mr. Williams: Thousands of sheets, and hundred of items on each sheet.

Mr. Burr: And I don't think it is at all strange that nobody but the man who made up those sheets can translate them.

Commissioner Geiger: Do you think the Commission could translate them?

[fol. 4881] Mr. Burr: We are perfectly willing to let you try.

Mr. Calland: We propose to translate them if we get them.

Chairman McCulloch: Has the counsel for the attorney general any suggestions? Do you want an order?

Mr. Burr: I make this further suggestion; we could put another man or men on those costs and undertake to say what in the judgment of these men the costs should be, these new men. That would be substantially making up new details and perhaps would result in a new central office equipment appraisal, because wherever figures involve the judgment of a man as they frequently do it is unthinkable that two men working separately would have the same judg-

ment with every one of these small items. Now, that could be done but it would take a great deal of time.

Mr. Calland: Of course, what we want to check is the appraisal you made in this case and not some other one.

Mr. Burr: I understand; which was done five years ago. It is not strange that all this mass of stuff should be in such shape that nobody but the man who had charge of it and made it can now put it down for us in the shape that you want it.

Mr. Calland: I have no suggestion to make, Your Honor, except that we all want on our side of the case, to have a definite date that we can count on; and if Your Honors, after hearing both sides of the thing, feel like making an order, we would be glad to have an order.

Chairman McCulloch: Well, we can only expedite it by an order. We are ready to expedite it by an order, but we have got to get some information as to what the order ought to be and we have to rely on counsel for that. If [fol. 4882] counsel will give us some idea we will expedite it by an order that is fair to everybody.

Mr. Calland: We should be very glad to do that during the day.

Chairman McCulloch: And we would be very glad to hear both sides as to the fairness of the order. If you can agree all right, and if you can't come in and we will try to settle it for you. Do you desire to call and examine any witnesses this morning?

Mr. Calland: No. Mr. McBerty is here for cross examination on this one exhibit.

Chairman McCulloch: Will counsel indicate who Mr. McBerty is and just what his testimony was? It will save a lot of time if counsel will explain in a word about Mr. McBerty.

Mr. Calland: Yes, Your Honors. Mr. McBerty gave fully his qualifications in the opening of the record at page 3451 of the hearing in January. He became interested in the telephone business as a boy, made some telephones of his own as a boy; came in conflict with the Ohio Bell Telephone Company on the question of patents and quit making telephones—not the Ohio Bell, but the Bell Company. Then being interested in the telephone business and wanting to follow that as an occupation, he obtained employment with the Western Electric Manufacturing Company and was with that company, I think, for 30

years, during which time he invented many of the different kinds of apparatus now in use in telephone operation; and gradually went up the line in the employ of that company until he was in charge, practically, of the development of their paraphernalia, putting it in the shops and working it [fol. 4883] through and developing the whole situation; had been with that company until 1917. Since that time he has been at first vice-president and since then president of the North Electric Manufacturing Company of Galion, Ohio, engaged in the manufacture of telephone equipment. During his connection with the Western Electric Company he represented them in many countries abroad and practically all over the world in the development and sale of property manufactured by the Western Electric; and Your Honors know the Western Electric Manufacturing Company is owned by the American Telephone and Telegraph Company, which also owns the Ohio Bell Telephone Company, and between which there exists a contract requiring the associated companies, among which is the Ohio Bell, to purchase their materials from the Western Electric Manufacturing Company, and the so-called license contract which I will not take time now to go into; but that is briefly the statement of Mr. McBerty's qualifications.

Chairman McCulloch: What is his status in this case?

Mr. Calland: He is appearing here as a witness, presented by the attorney general, to introduce evidence as to what this central office equipment is worth.

Chairman McCulloch: He is now called for cross examination?

Mr. Calland: On the first exhibit he put in. And I might briefly explain the first exhibit was attacking of exhibits put in by Mr. Cox who was an officer or employee of the Western Electric Manufacturing Company, or the American Telephone——

Mr. Thompson: Assistant vice-president of the American Telephone & Telegraph Company.

Mr. Calland: Which made comparisons as to the prices at [fols. 4884-4957] which the Western Electric Manufacturing Company sold telephone equipment to associated companies, and the prices at which other manufacturers of telephone equipment sold to the public; and with that as a basis Mr. McBerty has prepared and has submitted an exhibit which shows what that telephone equipment ought to cost the associated companies, and compares it with what it does cost

them when they buy it from the Western Electric Manufacturing Company. That is the exhibit about which he is now to be cross examined.

Chairman McCulloch: Proceed.

. . . . . .

[fol. 4958] Morning Session

February 14, 1929.

Mr. Burr: Your Honors, as a part of the state case Mr. Harry R. Allensworth testified to reproduction cost new of the outside plant property of the Ohio Bell Company as of June 30th, 1925, and this morning we are calling a witness to rebut a part of Mr. Allensworth's testimony, or rather to answer a part of Mr. Allensworth's testimony.

Mr. Hogan may take the stand — be sworn.

And be it Further Remembered, That the Ohio Bell Telephone Company further to maintain the issues on its part to be maintained, offered and introduced in testimony on its behalf in rebuttal the following evidence towit:

Philip Hogan, called on behalf of the Ohio Bell Telephone Company in rebuttal being first duly sworn, testified as follows:

Examined by Mr. Burr:

Q. What is your full name?

A. Philip Hogan.

Q. How old are you?

A. 49 years.

Q. Where do you reside?

A. Cleveland, Ohio.

Q. Tell the Commission what telephone construction and other experience you have had during your lifetime.

A. From about April, 1888, to June, 1899, I worked around the coal mines in eastern Pennsylvania as a slate picker, door tender, mule driver and laborer. The last two years I put in I worked as a laborer, that is, loading coal with a [fol. 4959] pick and shovel, tunneling, and digging drainage ditches about the outside of the mines.

In July, 1899, I went to work for the New York Telephone Company in New York City as a cable splicer's helper.

In 1901 I was promoted to cable splicer; in 1904 to cable splicing foreman. In June, 1910, I was transferred to the New Jersey division of that company and worked as a cable splicer from June until September.

In September, 1910, I was transferred to the western division of that same company at Buffalo as cable splicing foreman.

In February, 1912, I was transferred to the Missouri & Kansas Telephone Company with headquarters at Kansas City, Missouri, as supervisor of cable and underground construction.

In 1915 I was promoted to superintendent of construction for that company.

In 1917 about September that company was absorbed by the Southwestern Bell Telephone Company and I was appointed Division Plant Superintendent for Western Missouri for the Southwestern Bell.

About September, 1919, the Theodore Gary Company organized the Kansas City Telephone Company which took over the properties of the Kansas City Home Telephone Company and the Southwestern Bell in and about Kansas City, Missouri.

Q. Was the Kansas City Telephone Company an independent company?

A. Yes, sir. And I was appointed Chief Engineer for the Kansas City Telephone Company.

In April, 1921, I went to St. Louis as Division Plant Superintendent for the Southwestern Bell for eastern Missouri.

[fol. 4960] In February, 1923, I was promoted to Plant Superintendent for the Southwestern Bell for the states of Missouri and Arkansas. In September, 1924 I was transferred to the New England Telephone and Telegraph Company with headquarters at Boston. I was made Division Plant Superintendent for Metropolitan Boston Division of that company.

In May, 1927, I went in business for myself developing a patented pole reinforcing device in Newton, Massachusetts.

In September, 1927, I came to Ohio with the American Cable & Conduit Company, a contracting concern.

Q. Engaged in what?

A. Engaged in constructing conduit, manholes, paving.

Q. What was your position with that company?

A. In January, 1928, I was elected President of the American Cable & Conduit Company and served in that capacity until September, 1928.

In September, 1928, I went with the G. F. Ryan Construction Company of Chicago, and a month later also joined the T. V. Fischel Construction Company of Cleveland, and I am with both of those companies at the present time.

Q. Has your telephone construction experience included outside plant construction, that is to say, exchange and toll poles, exchange and toll wire, exchange and toll aerial cable, exchange and toll underground cable and exchange and toll underground conduit and the like?

A. Yes, sir.

Q. To what extent, if any, has your construction experience in those matters included the personal knowledge of the costs and performances, that is to say the rates of performance experienced in respect to it.

A. It does include personal knowledge of both costs and performances.

[fol. 4961] Q. For approximately how long in total?

A. For more than fifteen years.

Q. During most of those years have you been familiar with telephone construction costs, methods, performances and practices in various parts of the United States?

A. Yes, sir, in practically all states east of the Rocky Mountains.

Q. What experience have you had in Ohio in respect of those things?

A. In the years 1919, 1922 and 1923 I spent considerable time in Ohio investigating telephone cost experience, including the costs of all classes of telephone plants. During those visits I also inspected a large amount of telephone plants. I saw the construction crews in action, noted the quality of the work which they were doing, and I also checked up their performances in terms of units of work done per day for the purpose of comparing them with that of the company for which I was working at that time. Also when I came to Ohio in 1927 I studied and reviewed the past performances and production costs of the American Cable & Conduit Company. I checked their organization set-up and the methods used by it. I also studied the nature of the soil and the sub-surface obstructions to be encountered in that class of work in the large cities in Ohio.

Q. What do you mean by that class of work?

A. The conduit and manhole work.

Q. Proceed.

A. I studied and reviewed the cost of material and labor generally entering into this class of work as far back as 1924. I also studied the trend of labor and material prices generally prevailing in Ohio for several years past.

Q. Has your telephone construction experience included [fol. 4962] construction experience of so-called independent telephone companies as well as Bell system companies?

A. Yes, sir. While I was with the Missouri & Kansas Telephone Company in charge of construction that company took over the independent properties at St. Joseph, Missouri, Atchison, Leavenworth and Topeka, Kansas. I spent a year and a half with the Kansas City Telephone Company which took over the plant or properties of the Kansas City Home Telephone Company.

Q. Was that also an independent company?

A. Yes, sir.

Q. Proceed.

A. While I was plant superintendent for the Southwestern and for the Missouri and Arkansas that company took over the Kinlock properties in St. Louis and Sedalia, Missouri, and Belleville, Tri-City and East St. Louis, Illinois. For several months after these properties were taken over I handled the construction organizations until such time as they could be merged in with the existing organization of the purchasing company.

Q. How does it happen that you spent so much time investigating telephone costs experienced in Ohio?

A. Well, for the past fifteen or twenty years it has been common practice in telephone companies, independent as well as Bell, to require their superintendents and supervisors to compare cost data and performances with other telephone companies, visit the other companies' territory and compare organization set-ups, methods, performances, wages and working conditions, municipal regulations, soil and weather conditions, for the purpose of finding a more economical method for handling for their own work.

Q. While you were in the employ of the Southwestern Bell Telephone Company and the New England Telephone [fol. 4963] & Telegraph Company how many men generally were under your direction and supervision?

A. For the last six years of my telephone experience I would say the number would range between 1500 and 3500 men.

Q. Under your direction and supervision how much telephone outside plant, in dollars, has been constructed?

A. I can't tell you exactly how many, Mr. Burr. During the three years I was with the New England Company in charge of the Metropolitan Boston Division our budget for gross additions to outside plants ran between five and eight millions of dollars per year. Will that give you what you want to know?

Q. Yes, that is sufficient. How long have you been familiar with conduit, manhole and paving costs and the performance results of their construction in different parts of the United States?

A. For more than fifteen years.

Q. What has been the business of the American Conduit & Cable Company and its predecessor during the past four or five years?

A. Almost entirely conduit and manhole construction, including paving over conduit and manholes.

Q. How much of that kind of work has it performed during the past five years, if you know?

A. I would say considerably over 200 trench miles of conduit.

Q. How much of it in the State of Ohio?

A. Nearly all of it in the State of Ohio.

Q. Was that work done on a cost plus or competitive bid basis?

A. That was done entirely on a competitive bid basis, or almost entirely. There may have been one or two jobs of small amounts that would be given to a contractor who was doing a large job in the immediate vicinity.

[fol. 4964] Q. Directing your attention to some specific telephone construction costs, what knowledge, if any, have you of telephone conduit and manhole construction costs and performance in the United States, including Ohio.

A. I have spent at least six months actually out on construction jobs watching the operations, checking the organization set-up, the methods and the performances, studying soil and sub-surface obstructions to be encountered in that class of work. Those six months were spent in Columbus, Springfield, Dayton, Toledo, Cleveland, Akron and Youngstown, which cities embrace more than 97 per cent of the

conduit system of the Ohio Bell Telephone Company. I have also studied and observed the progress of the work of other conduit construction companies, noted the soil and sub-surface conditions as disclosed by their excavations, checked their organization set-up; methods and performances against that of the company for which I worked.

Q. Tell the Commission some of the factors which effect conduit construction costs and which must be taken into consideration at arriving at the cost of reproducing the conduit system of a telephone company such as the Ohio Bell Company.

A. There is only a small fraction of the conduit system of the Ohio Bell Telephone Company could be reproduced under what you would call good going or easy working conditions. By good going or easy working conditions I mean having a clear right of way, spading the earth out of the trench to the required dimensions, grading the bottom of the trench, placing the four inch concrete base for the tile, placing the tile, plastering the joints, side filling and tamping about the tile, placing the three inch cap protection [fol. 4965] over the tile, back filling and tamping the balance of the trench and loading and hauling away the surplus dirt. The great bulk of the Ohio Bell Telephone Company's conduit would have to be replaced under conditions which would be affected by various factors which would very materially increase its cost over that of good going or easy working conditions.

Q. Will you give the Commission some of those factors to which you refer?

A. One of the most important factors is the insistence of city, county and state officials that the rights, comfort and peace of mind of the public be given first consideration. Now this takes shape in their limiting the amount of trench which you may have open at one time, in requiring the immediate removal of excavated earth from in front of stores, driveways and walks. In requiring tunneling under trees, sidewalks, driveways, sections of paved streets; in requiring the use of canvas on the tree lawns at the request of the property owners; in requiring that all earth excavated from the trench be hauled away and that the trench be completely back-filled with sand, gravel or concrete; in requiring very expensive temporary paving, or in issuing permits to contracting companies to build conduit on busy streets or thoroughfares on condition that the entire width

of the street be kept open for traffic between six o'clock in the morning and seven in the evening. Now, that means that all work has to be done at night under very poor lighting conditions, that all earth excavated has to be hauled to the dumps during the night and the dumps have to be temporarily lighted for that; that all materials used have to be delivered during the night, and that part which is left unused has to be loaded up and hauled away before six [fol. 4966] o'clock in the morning. Very substantial bridges have to be built over the excavation to take the traffic of the next day's business. Now there is a very large area in Cleveland in the downtown section that all conduit work has to be done under those conditions. In addition to that work on such streets as Fifty-Fifth Street, Carnegie Boulevard and Euclid Avenue, all comes under that requirement that the work must be done at night.

Q. Is it ever necessary to tunnel under railroad and street railroad tracks in connection with conduit construction?

A. Where a line of conduit crosses a railroad or street railroad track it is always necessary to tunnel, and you are usually required to place your conduit at an extra depth and backfill the tunnel with concrete. Now where you cross under a steam railroad track the steam railroad people as a rule require that before you excavate for your trench that long steel beams or wood beams be placed under their ties so that the weight of locomotives and trains will fall on other than the edge of the excavated trench.

Q. What has the factor of weather to do with the cost of conduit construction?

A. Why weather and inability to rearrange your organization to meet rapidly changing weather conditions has a very material effect on the cost of conduit construction. In Ohio we have rain or snow from .01 of an inch or more for about 120 days in the year. Now that seems like a small amount of rain or snow and that it might not interfere with outside work, but on the other hand we have rains or snows of an inch to two or three inches which makes the ground very difficult to work for six or seven days after the oc- [fol. 4967] currence. I would say in general that you work under very tough weather conditions due to rain for about 120 days in the year. Now in Ohio you have about 35 days in the year that it freezes or the temperature is below freezing all day. There are about 95 days in the year when the temperature is below freezing part or all of the day. Now

rains, of course, affect the costs by caving in the trench which frequently has to be sheeted or shored after re-excavation. There is also the bailing and pumping out of water out of the trenches and the manholes. Water soaked earth is much heavier and more expensive to handle than dry earth. The mud sticks or clings to the men's tools, clings to their shoes, much heavier to shovel, and in general it slows up the operations.

Q. Now, what have you to say as to the necessity for shoring and bracing poles of other wire using companies, shoring and otherwise protecting gas and water mains and the like in connection with conduit construction as affecting the cost?

A. It frequently happens that poles and conduits of other wire using companies have to be shored, and particularly of street lighting conduit which is usually placed close to the surface. There is also the necessary — for supporting gas and water mains, curbs and the like.

Q. How does freezing weather directly affect the conduit costs?

A. Freezing weather makes excavating much more expensive. Sand and gravel used in the concrete has to be heated during freezing weather; back fill earth has to be picked or loosened with air tools. Fires have to be built for the men to warm themselves, and they must be given time to warm themselves every so often.

[fol. 4968] Q. What about the factor of sub-surface obstruction?

A. Well, in every city large enough to have water, gas or sewers sub-surface obstructions are to be encountered. In the large cities we encounter abandoned pipes of all kinds; we encounter underground conduit, telephone, telegraph, electric light, police and fire alarm and street lighting systems. We encounter hot water pipes, steam lines, pneumatic carriers or postoffice and telegraph companies, private sewers, extra large steam and sanitary sewers, all of which tend to increase the difficulties of building underground conduit.

Q. Will you explain a little further how these obstructions sometimes increase the cost of conduit construction?

A. It is pretty common practice in large cities for the city authorities to designate the lines which will have to be followed in laying the conduit. They usually designate this line with reference to curbs or fire hydrants or some fixed

points. Frequently when the conduit is partly laid obstructions are encountered which block the passage of the conduit. Work has to be stopped and conferences have to be held with those people who are interested, and the cost of those conferences alone cost considerable without taking into consideration the cost of diverting the conduit by the obstruction.

Q. Is it customary in Ohio Bell Territory to install conduit only eight months of the year, omitting January, February, November and December?

A. No, sir. Conduit construction companies in Ohio construct conduit throughout the entire year.

Q. Has that been true in the last five years?

A. Yes, sir.

Q. Go ahead.

A. There is great pressure brought to bear on conduit [fol. 4969] construction companies to carry on their work throughout the entire year, and I know of no large conduit construction company that closes down or materially reduces its force during the winter months. We also have some of the most powerful agencies in the United States pressing people responsible for construction work for years; I mean Chambers of Commerce with the cooperation of the Federal Government, pressing people responsible for construction work to carry on their work throughout the entire year so as to level off what we used to know as construction peaks, and also cut down materially the rate of unemployment during the winter months.

Q. Are you familiar with the claimed conduit labor and material costs for the conduit and manhole system of the Ohio Bell Telephone Company as shown in the Allensworth Exhibits and cross examination exhibits in this case?

A. Yes, sir.

Q. Have you examined and are you familiar with the inventory of the conduit and manhole system and of the paving actually cut over mains of the Ohio Bell Telephone Company as of June 30, 1925 also in evidence in this case?

A. Yes, sir.

Q. As of that date approximately how much of the companies—and when I say "company" without any other designation I refer to the Ohio Bell Telephone Company—I say as of that date approximately how much of the company's conduit and manholes and paving over mains was located in the large cities such as Cleveland, Toledo, Canton, Co-

lumbus, Dayton, Akron, Springfield and Youngstown if you know?

A. There was approximately 58 per cent. of it located in the Cleveland area and 39 per cent. of it located in the other cities you have named, or a total of about 97 per cent. located in the cities you have called off there.

[fol. 4970] Q. Have you prepared an exhibit which may be marked for identification Hogan Exhibit No. 1, sheets 1 to 10 inclusive, showing the extent to which the costs testified to by Mr. Allensworth for certain of the main and subsidiary underground conduit and for the manholes of the Ohio Bell Telephone Company involved in this case are lower than the costs which in your judgment would actually have been experienced in the reproduction of that part of the company's property as of June 30, 1925?

A. Yes, sir.

Q. Will you please explain that Exhibit to the Commission?

A. In the first column on sheets 1 to 7 is a list of the items of material which go into conduit construction. In the second column under H. R. Allensworth" is Mr. Allensworth's costs of material and labor supervision and incidental expense, tool expense, for building conduit. In the third column under P. Hogan" is the costs which in my judgment would be experienced by the Ohio Bell Telephone Company in reproducing its conduit plant.

Q. As of what time?

A. As of June 30th, 1925.

Q. What is represented by the difference between your figures and Mr. Allensworth contained in those pages of that Exhibit?

A. By comparing my costs with Mr. Allensworth and deducting from my figures Mr. Allensworth's figures you arrive at the sum which in my judgment and based on my experience is the difference between the actual cost to reproduce that part of the property as of June 30, 1925 and Mr. Allensworth's estimate of that cost.

Q. Well, that comparison is mere arithmetic, isn't it?

[fol. 4971] A. Yes, sir.

Q. What do sheets 8 to 10 inclusive of your Exhibit No. 1 show?

A. They show the same thing in respect of the manholes of the company as do sheets 1 to 7 in respect of the conduit.

Q. For the purpose of further conduit comparisons have

you prepared an Exhibit, which I hand you and which for the purpose of identification may be marked Hogan Exhibit A-1, sheets 1 to 14 inclusive?

A. Yes, sir.

Q. In the preparation of that Exhibit was it your purpose to show the extent to which the total cost per trench foot as of June 30, 1925, for each size and kind of conduit of the Ohio Bell Telephone Company as testified to by Mr. Allensworth in this case, are lower than the cost which would actually have been experienced in the reproduction of that part of the company's property as of June 30, 1925?

A. Yes, sir.

Q. Will you please explain the Exhibit to the Commission?

A. In the heading on each sheet except sheet No. 8 which applies to manholes, I have shown the type of conduit to which the figures on that sheet apply. In the first column on the page I show the number of ducts comprising the conduit, the size of the conduit; in the second column under the heading H. R. Allensworth I have listed his costs for the corresponding kinds and sizes of conduit shown in the third column. On the third column I have put down corresponding costs which in my judgment would have been experienced in the reproduction of that part of the company's property as of June 30th, 1925.

Q. Where you said corresponding sizes of conduit shown in the third column, didn't you mean first column?

A. Yes, sir.

Q. What is represented by the difference between your [fol. 4972] figures and Mr. Allensworth contained in those pages of that Exhibit?

A. By comparing my costs with Mr. Allensworth and deducting from my figures in the third column Mr. Allensworth's figures in the second column, you will arrive at the sum which in my judgment and based on my experience is the difference between the actual cost to reproduce that part of the company's plant as of June 30, 1925 and Mr. Allensworth's estimate of that cost.

Q. What does sheet No. 8 of your Exhibit No. 1-A show?

A. It shows the same thing in respect of the manholes of the company as do sheets 1 to 7 in respect of the conduit.

Q. For the purpose of showing the Commission how you arrived at the labor and material costs shown in your comparison sheets Nos. 1 to 10 inclusive of your Exhibit No. 1

and sheets Nos. 1 to 14 inclusive of your Exhibit 1-A, have you prepared a statement or compilation of detailed labor and material, conduit and manhole unit costs upon which your costs shown in those comparison sheets Nos. 1 to 10 inclusive of your Exhibit No. 1, and 1 to 14 inclusive of your Exhibit 1-A are based?

A. Yes, sir.

Q. Does this compilation consisting of 31 pages, marked for identification Hogan's Exhibit No. 2, sheets 1 to 31 inclusive, correctly show those detailed labor and material, conduit and manhole costs?

A. Yes, sir.

Q. Does it also show for further comparison purposes your judgment of the correct detailed labor and material reproduction costs for the sizes and kinds of conduit of the Ohio Bell Telephone Company as of June 30, 1925, not covered by your detailed comparisons shown in your Exhibit No. 1?

A. Yes, sir.

[fol. 4973] Q. How did you arrive at the cost of the materials shown in the detailed unit costs contained in your Exhibit No. 2?

A. For major material I used the costs to the Ohio Bell Telephone Company. There is little difference between the material costs of Mr. Allensworth and the company. For my miscellaneous material inasmuch as 75 per cent. of the company's conduit is located in such northern cities as Cleveland, Toledo, Akron and Youngstown and 25 per cent. is located in such central cities as Columbus, Springfield, Dayton and Zanesville, I applied 75 per cent. of the Cleveland prices on miscellaneous material and 25 per cent. of the Columbus prices to the miscellaneous material as of June 30, 1925. My investigation shows that prices in such places as Toledo, Akron and Youngstown were about on a level with those in Cleveland, and the prices in Springfield, Dayton and the like were about on a level with prices in Columbus.

Q. At that time?

A. At that time. It may be well to explain a little further here why I used those two separate prices. In Cleveland and that area most of the sand that is used comes from around Pelee Island, and is brought in by boat and unloaded and then trucked to the job. The trucking distances are also a little greater in Cleveland than they are in smaller cities.

Now gravel and a good deal of the crushed stone is shipped in. The gravel that is used around Cleveland and in that vicinity comes from Urbana and from Columbus, with about a 90 cents a ton freight rate on it into Cleveland plus whatever switching charge is necessary to pay for switching it from one track to another or one railroad to another. That was the reason for making a distinction between prices [fol. 4974] used in the cities in the northern part of the state and prices used in the cities in the central or southern part of the state.

Q. How did you arrive at four per cent. for the supply expense used in your costs?

A. Well, I have been responsible for supply expense in the companies for which I worked for a good many years, and I always thought we were doing a bang-up job if we kept our supply expenses as low as four per cent. of the cost of the material used.

By Commissioner Klinger:

Q. May I ask what you embrace in your term there "supply expense?"

A. In the supply expense? Why, what is commonly charged to supply expense is the supply superintendent's salary, his office force and his office expense. They are the people who take the orders from the field, place them on the Western Electric or on the local suppliers if it is in the list of material to be furnished by local suppliers. They are the people who keep price lists on materials and frequently there are charges to supply expense for the men who work in the yard, and frequently it happens that the cost of shaving and preparing poles cannot be allocated to any particular job, and sometimes that is charged to supply expense and then charged out again as a higher cost on the pole. Trucking of supplies goes against supply expense, warehousing them, disbursing them.

Mr. Burr: Is that sufficient?

The Witness: That supply expense is not an arbitrary figure. It is used by taking the total cost of this organization and dividing that cost by the cost of the materials to find out what per cent. of the cost of material it is; and it [fol. 4975] varies from month to month, but a good average to have for a year would be four per cent.

Q. What is the source of the labor unit costs shown in your Exhibit No. 2?

A. For the labor units I used the wage rates paid for this kind of work on conduit construction work in Ohio as of about June 30th, 1925.

Q. When you say Ohio do you mean Ohio Bell territory?

A. Ohio Bell territory.

Q. Go ahead.

A. The performances reflected in those costs are based on my experience in handling, directly handling conduit construction work, and they are my best judgment of what I believe the performances would be in the reproduction of this property.

Q. Have you explained in detail some of those performances sometimes referred to as rates of performance in your subsequent Exhibits?

A. Yes, sir.

Q. That will be in your Exhibit No. 4, will it not?

A. I have set up an Exhibit No. 4 giving in detail the material and labor figures.

Q. Yes; we will come to that in a minute. Still on Exhibit No. 2, tell the Commission how you arrived at a labor supervision cost of 25 per cent., and explain to the Commission why your unit costs contained an allowance of 25 per cent. of the total labor cost for the item of supervision?

A. For a good many years it was my job and duty to know the amount of supervision expense used in the organizations with which I was connected. Now that experience has taught me that you cannot get a good supervisory organization for much less than 25 per cent. of the total labor costs. Now that [fol. 4976] 25 per cent. is not an arbitrary per cent. That 25 per cent. or whatever it happens to be in a set-up of this kind is not just taken out of the air and applied arbitrarily to the labor units. That is based on the experience of companies; one month it might be 25 per cent. and another month it might be 23 per cent. and another month it might be 27. That is your supervisory organization stays fixed, and with the exception of an increase or decrease in traveling expense, or somebody might get a raise or somebody else might get a cut, it stays pretty well set for the same sized organization; while your working organization may fluctuate thousands of dollars in a month. Now that 25 per cent. that I have set up in my units is based on the supervision of the contractor plus that supervision which the telephone company would be required to give the job done by the contractor.

By Commissioner Klinger:

Q. I understood you in response to my question a moment ago as to what factors you considered in supplies, to designate such persons as had charge of the supervision?

A. That is supply supervision, Mr. Klinger. I think I mentioned the supply superintendent.

Q. This is still a different line of superinendent; it doesn't include the men on the job then?

A. No, sir, it doesn't include the workmen at all. This has to do with the supervising of the actual workers.

Q. This is an overhead altogether?

A. It is not what is classed administrative or engineering; this is what is classed as 706 under the uniform system of accounting which has been put out by the Interstate Commerce Commission; that is, this supervision is from the general superintendent to the division plant superintendent with their staffs, both inclusive, including in their office [fol. 4977] force, their office expense such as heat, light and janitor service and so on; and in the uniform system of accounts it is classed as plant supervision. Now that same uniform system of accounts states that from the general foreman or division superintendent of construction with his salary, his office force and his office expense and everybody under him shall be charged directly to the job as direct labor.

By Mr. Burr:

Q. That is in this Commission's system of accounting?

A. It is in the United States Interstate Commerce Uniform System of Accounts. I don't know whether this Commission has adopted that or not.

By Chairman McCulloch:

Q. You say the percentage is, or the items?

A. No, sir; the items that go into it. That is, it defines plant supervision.

Q. Of course, you don't mean to say that the percentage is——

A. Oh, no, sir, no, sir.

Q. That is your expert view of that; isn't it?

A. It defines——

Q. Is that what you mean?

A. Yes, sir; it defines what shall be charged to plant supervision, and what shall be charged as direct labor.

Q. And you say 25 per cent is that item?

A. I say on this that from my experience 25 per cent is not high.

Q. You mean it is low?

A. No, I would say it would be a conservative figure on it.

By Mr. Burr:

Q. Based on your experience what amount of supervision expense, in terms of percentage of total direct labor cost, would be experienced in the reproduction of the outside plant property of the Ohio Bell Telephone Company, other [fol. 4978] than its conduit system?

A. That is pole lines, cable, wire and so on?

Q. Yes.

A. I would say it would range between 18 and 25 per cent, taking into consideration all the other classes of labor that are considerably higher class and more skilled than the conduit laborers.

Q. What have you to say as to Mrs. Allensworth's figure of ten per cent for supervision in respect of conduit construction work?

A. Well, I find it very difficult to understand Mr. Allensworth's method of computing supervision, direct labor, incidental and stable and garage expense.

Q. In what respects do you find it difficult to understand that?

A. Well, in his cross-examination Exhibit No. 11, on the details he shows 16 typical organizations for reproducing this outside plant. For 15 of those 16 typical organizations he has included the cost of a truck in the direct labor costs; for the other one of the 16 he has omitted the cost of the truck in his direct labor costs. For eleven of those crews he has included the cost of a foreman. For eight of those typical crews he has included the cost of a clerk or a part of a clerk. For five of those typical crews he has omitted the cost of the foreman and the clerk.

And thereupon a recess was taken until 1:30 o'clock P. M. of same day.

[fol. 4979] Afternoon Session

February 14, 1929.

And also PHILIP HOGAN, resuming the stand continued his testimony as follows:

Examined by Mr. Burr:

Q. Mr. Allensworth has said that his supervision expense includes—I think I am correctly quoting the record—all supervision expense between the gang foreman on the one hand and the engineering and superintendence expense on the other. In your judgment is ten per cent. of the direct labor a sufficient allowance for the supervision expense?

A. No, sir.

Q. You have already given your reasons, haven't you?

A. No, sir.

Q. Very well, if you have some more, tell the Commission.

A. To reproduce a plant, outside plant, or we might say an entire plant of the size of the Ohio Bell Telephone Company's plant would require an organization of several thousand workmen. To prepare work sheets, schedules, direct the work of that organization, handle the construction engineering, construction cost accounting, would require an organization about as follows: You would need a general plant superintendent for the state. Under this general plant superintendent, you would probably have four to six division superintendents. Under your general plant superintendent you would have to have a staff to coordinate the work of the various divisions, such as the work that they would have to coordinate would be such as supplies, cor- [fol. 4980] respondence, buildings, stable and garage work, safety work, tools, methods and results, engineering, employments and routines. Now your division plant superintendents would also have to carry on about the same amount of staff work as the general superintendent for each division. In addition to that the division superintendents would have to have construction engineers to plan the work, make up work sheets, send them to the schedule committee or schedule engineers to have the work properly scheduled so as that central office work, conduit work, cable work, pole line work would all be completed at about the same time for a particular area. Now that part of the supervision between the general superintendent and the division plant superintendent according to the uniform system of accounts

is properly chargeable to 706 or plant supervision. The cost of directing the organization from the general foreman down to the workmen according to the uniform system of accounts is properly chargeable to direct labor.

Q. What have you to say in respect of a supervision expense of 25 per cent. as applied particularly to conduit construction costs, if you have any examples of that?

A. Recently I made an investigation of the cost of supervision to the American Cable & Conduit Company covering a period of about six months. Their direct labor for those six months amounted to $178,502.00; their supervision for that period amounted to $45,280.00, or a little better than 25 per cent. of the direct labor, and that did not include staff work, cost of accounting for construction engineering.

Q. How did you arrive at the 1.7 per cent. for tool ex- [fol. 4981] pense for conduit construction?

A. On the same check of payrolls to the American Cable & Conduit Company for a six months' period I found that the payrolls were $178,502.00. The tool expense for that same period was $3008.00 or about 1.7 per cent. My experience in the telephone business is that your tool expense was fair and reasonable if it ran between two and three per cent. on this class of work. It would probably run higher than that on classes of work where more expensive tools are used.

Q. What do you say as to Mr. Allensworth's allowance of two per cent. for tool expense for all outside work?

A. I think Mr. Allensworth's allowance of two per cent. for all outside plant is considerably too low. I would say somewhere between three and four per cent. if you took into consideration all classes of outside plant.

Q. Have you prepared an Exhibit marked for identification Hogan Exhibit No. 3, sheets A and sheets 1 to 10 inclusive, showing the extent to which the per square yard paving costs as of June 30th, 1925, testified to by Mr. Allensworth in this case are lower than the costs which would actually have been experienced in the reproduction of that part of the company's property as of June 30th, 1925?

A. Yes, sir.

Q. Will you please explain the Exhibit to the Commission?

A. On sheet A of my Exhibit No. 3 is shown——

Q. Just a moment. For the benefit of the Commission will you explain whether the first amount shown on sheet A of your Exhibit No. 3 is $5.00 and 81.28 cents?

A. Yes, that is dollars.

Q. Yes.

A. And the figures to the right of the period are cents.

[fol. 4982] Q. Yes. Is that true of all your Exhibits?

A. Yes, sir.

Q. Proceed.

A. On sheet A of my Exhibit 3 is shown in the first column the various kinds of paving of the Ohio Bell Telephone Company. In the second column under the heading of H. R. Allensworth I have listed his costs for the corresponding items of paving listed in the first column. In the third column under my own name I have put down the corresponding costs which in my judgment would have been experienced in the reproduction of that part of the property as of June 30, 1925.

Q. Now sheet No. 1 of Exhibit No. 3 is merely a summary sheet, is it not?

A. Yes, sir.

Q. Yes; so that we will turn to sheet No. 2 of your Exhibit No. 3 and the subsequent pages. Tell the Commission what is shown on pages 2 to 10 inclusive of your Exhibit No. 3.

A. In the heading on each sheet of pages 2 to 10 I show whether the paving is over manholes or over subsidiary conduit or over main conduit. In the first column on each sheet I show the kinds of paving corresponding to that in the company's inventory. The second column shows the number of square yards of each of those kinds of paving as shown in the company's inventory.

Q. Yes. What about the remaining columns?

A. The third and fourth columns on sheets 2, 5 and 8 show the labor and machine costs for breaking through the corresponding kinds of paving at the labor and machine costs indicated at the top of those respective columns. For instance, the labor rate per square yard for breaking through the pavement on sheet No. 2 is 38.7 cents per square yard; the machine rate is 62.4 cents per square yard. The [fol. 4983] total cost of breaking through the pavement is $1.011 per square yard. I might say for the information of the Commission that on that machine rate that is the cost of an air compressor and paving breakers for break-

ing pavement, and they are commonly used in breaking pavement in city streets.

By Commissioner Geiger:

Q. May I ask a question there? You have labor rate 38 cents plus, machine rate 62 cents plus, and a total of $1.01. Now do you use labor and machine on that same thing?

A. Yes, sir; you see you have an air compressor and two paving breakers; that is the common practice in this kind of work. Now there has to be a workman on each paving breaker. That is the labor cost for those workmen, and under machine cost I have the cost of the machine.

By Mr. Burr:

Q. Where in your Exhibits are those labor and machine rates to be found?

A. They are shown in Exhibit No. 4.

Q. Which will be hereinafter referred to?

A. Yes, sir.

Q. I think you have already explained what is meant by the labor rate in your Exhibit No. 3 as labor cost per square yard of operating the paving breakers; is that right?

A. Yes, sir. The labor cost is the labor cost of operating the breakers; the machine cost is the cost of the breakers plus the air compressor.

Q. What is shown in the fifth column on sheets 2, 5 and 8 of your Exhibit No. 3?

A. The total of the labor rate plus the machine rate, or the sum of the labor rate and the machine rate per square yard of the various kinds of pavement broken.

Commissioner Geiger: Would you inquire about that column? The amount per square yard; what does that mean? [fol. 4984] The Witness: That is the square yards of the various kinds of pavement—if you are looking at sheet 2, that is the square yards of the various kinds of pavement broken for manholes.

Mr. Burr: If you will refer to the top of the page.

By Commissioner Geiger:

Q. I see. But I see here asphalt on brick on concrete 8.13 yards. That means for each manhole?

A. No, sir, that means total for the company's manholes.

Q. You mean you have only got 8.31 yards of that kind of construction?

A. Of asphalt on brick on concrete over manholes.

Mr. Burr: But you see it is very much larger for other kinds of paving.

Commissioner Geiger: Oh yes, but eight yards isn't much for anything. It must be only one manhole.

Mr. Burr: I imagine it is.

The Witness: On page 5 you see it is 83 yards for subsidiary——

Mr. Burr: I might explain that asphalt on brick on concrete is, of course, a very unusual kind of pavement and occurs where a concrete base has been put down and then there has been a brick street and then some time after that asphalt has been put in on top of the brick to make an asphalt surface. It is not a common kind of pavement I believe.

Commissioner Geiger: We have got considerable of it in Springfield.

Mr. Burr: We have here; but I imagine the total amount over manholes in rather small.

By Mr. Burr:

Q. What is shown in the third column on sheets 3, 6 and 9 of your Exhibit 3?

[fol. 4985] A. In the third column on sheets 3, 6 and 9 I show the labor cost of temporary repaving.

Q. Amounting to how much?

A. The rate is 17.1 cents per square yard.

Q. And then under that rate of 17.1 cents per square yard what is shown?

A. I show all the various kinds of pavement that has been cut by the Ohio Bell Telephone Company in placing its conduit in the first column. In the second column I show the square yards of each kind of pavement, and in the third column I show the cost of temporarily repaving.

Q. At that rate of 17.1 cents per square yard?

A. Yes, sir. That temporary repaving comes in mostly on account of cities objecting to doing paving during cold weather months; that is some cities won't permit any repaving to be done after about November 15th until about April 1st.

By Commissioner Geiger:

Q. This is temporary repaving put in over the winter?

A. Yes, sir. And there are some cities that require that after you finish your conduit work, even in good weather they ask that you temporarily repave it to give the trench a chance to settle.

By Mr. Burr:

Q. You are referring to Ohio Bell Telephone cities?

A. I am referring to Ohio Bell Telephone cities.

By Commissioner Geiger:

Q. Now, have you got a column of costs for taking up that temporary repaving?

A. No, sir, that is usually included in the cost of permanent repaving. It is not a fixed pavement that is hard to handle. The common method in temporarily repaving is to place planks over the trench and allow traffic to run over them for awhile, then remove the planks and fill your trench [fol. 4986] up and pave with bricks laid in loosely, as the common practice in most cities is to repave temporarily with loose brick. There are some other practices used. In one job that we handled we were required to lay paper sacks taken from the cement in the trench and then fill in on top of them with a light mixture of concrete, that is a thin mixture with say about a one-four-eight mixture of concrete so that when the city's repaving department came around later on to repave it would be a simple job to break that out and make their permanent repaving.

Q. You speak of the city's force coming around to repave. Is that the customary thing for the city's force to do the repaving or for your force?

A. It is the customary thing in over 65 per cent. of the Bell Telephone Company's conduit——

Q. For the city to do the repaving?

A. Yes, sir.

Q. Have you got a list of what you paid the city *of* repaving?

A. Yes, sir.

Commissioner Geiger: Wouldn't that be all you need to go into, if the city does it; what you paid the city for doing the repaving rather than set up all these figures?

By Chairman McCulloch:

Q. This is a theoretical reconstruction valuation?

A. Yes, sir.

Q. You are giving your theory of what it would cost if you were going to reconstruct it new?

A. I wouldn't say theory, Mr. Chairman. Wherever I could I based it on actual costs, something that we could go back to——

Q. Well, you are not testifying as to what was done; you are testifying to what you think it would cost to do it; isn't that it?

A. Well——

Q. From the light of your experience as an expert?

[fol. 4987] A. My judgment in the case of replacing pavement in the cities is based on the cities' bills?

By Commissioner Geiger:

Q. Have you got an exhibit here of what you actually paid the cities for work that they actually repaved?

A. That is included in cost of paving. That takes care of 65 per cent. of the repaving of the Ohio Bell Telephone Company conduit.

Q. Well, have you got a schedule which shows whether or not your estimate that you have given us—how that compares to what you actually paid when you paid the city for their work?

A. Well, I investigated and examined bills from the city.

Q. Never mind. I was asking whether you had a schedule here.

By Mr. Thompson:

Q. The Commissioner wants to know whether you have a list of bills paid showing the amounts paid and the kind of pavement covered by those amounts?

A. Yes, sir.

Q. Have you such a list with you?

A. I have some bills with me; that is photostat copies of bills.

Mr. Burr: Well, suppose you produce them right now.

Commissioner Geiger: Are they selected especially for this occasion or are they——

Mr. Burr: I will ask him, Your Honor. I am agreeably surprised to know that he has them. Are these all right to put in?

The Witness: Yes.

By Mr. Burr:

Q. I call your attention——

Chairman McCulloch: Will counsel permit me before we proceed with that—I think the record ought to show that what he is doing is creating a theoretical valuation, isn't [fol. 4988] that it, as an expert?

Mr. Burr: He is estimating from his own figures the expense to which Mr. Allensworth's reproduction cost new figures are in his judgment too low?

Chairman McCulloch: Of course. But what he is doing is to reconstruct the theoretical reproduction of value, and he bases his opinion to some extent upon an examination of costs that were actually paid.

Mr. Burr: Yes; he does base his costs on that.

Chairman McCulloch: That is all of them, in every instance?

Mr. Burr: No.

Chairman McCulloch: Or is that just a part of his investigation that enables him as an expert to make a statement as to the theoretical value of doing the thing.

Mr. Burr: He has already testified at some length as to the basis of his costs, and I believe he has said that they are based on his experience in the conduit business in the State of Ohio.

Commissioner Geiger: If I might suggest something; are you willing to submit an Exhibit which sets up in one column what he has estimated it would cost, and another one showing what you actually paid the city for doing it?

Mr. Burr: We could only do that for a very limited amount.

Commissioner Geiger: He said 65 per cent, has been done by the city and paid to the city.

Mr. Burr: Yes, Your Honor will understand that that paving probably covers a period over 20 or 25 years, and it is inconceivable that the Ohio Bell Telephone Company could have in its files the paid bills, especially since a lot of [fol. 4989] this property that is now owned by the Ohio Bell——

Commissioner Geiger: Well, the city would have it.

Chairman McCulloch: All those bills are good for then is for the purpose of sustaining his judgment; isn't that it?

Mr. Burr: Right.

Chairman McCulloch: That is all it is. Otherwise, if the company is seeking by this witness to get into the record the actual cost, that is another story.

Mr. Burr: Your Honor we are not trying to prove actual costs, and the production of these invoices was responsive to the inquiry I think by Mr. Commissioner Judge Geiger; and it seems that Mr. Hogan had these in his files. So that in order that they may be made a part of the record, we will have to take time to give you gentlemen copies of them.

By Mr. Burr:

Q. By Mr. Burr: I will ask you, Mr. Hogan, whether or not these photostatic copies marked "Accounts receivable. The Ohio Bell Telephone Company"; over on the right "To the City of Cleveland, Ohio, debtor, division of streets", and numbered 3097, 3098, 3258, 3153, 3150, 3154, 3051, 3149, 3953, 3155, 3156, 3931, 3427, 373, 375, 3965, 3624, 3934, 910, 3954, 3958, 985, 2259, 3536, 3330 and 3909 are photostatic copies of paving bills rendered by the city of Cleveland and paid by the Ohio Bell Telephone Company as of the dates shown in the invoices themselves?

A. Yes, sir.

Q. Do those bills, Mr. Hogan, include the breaking through of the paving and the temporary repaving?

A. No, sir.

Mr. Calland: Just a moment. We would like to look at them and see what they do show before you go further.

Commission Geiger: Wouldn't it be possible for one of [fol. 4990] the lawyers to attend to the cross examination while the other looks these things over?

Mr. Calland: Yes, we can do that.

Commissioner Geiger: Go ahead and let them examine, and one attorney pay attention.

Mr. Burr: The compilation of accounts receivable referred to in the previous answer of the witness may be marked Exhibit No. 6, and is offered in evidence.

Mr. Herbert: Of course, objection is made at this time until we have had a chance to examine them.

Chairman McCulloch: If you don't care to have it passed on now we will pass it and hear you later if you want to argue. We will pass it and not have it passed on.

Mr. Burr: May it be understood that if not called up the Exhibit is admitted in evidence because it is hardly fair to hold the thing——

Mr. Herbert: Counsel for the Attorney General can move to strike it out later if they see fit.

Mr. Burr: Otherwise it will remain in the record.

Chairman McCulloch: Otherwise it will remain in the record.

Q. What is shown in the third, fourth and fifth columns of sheets 4, 7 and 10 of your Exhibits No. 3?

A. In the third column is the rate per square yard for permanent repaving. In the fourth column is the amount. That is the square yards times the rate per square yard equals the amount which is shown in the third column. In the fifth column we have the total of the cost of breaking the pavement, temporary repaving and permanent repaving.

[fol. 4991] Q. Now those are with respect to each kind of paving notice on those pages?

A. Yes, sir.

Q. What is your authority for the costs to which you have just been testifying?

A. In many of the cities such as Cleveland, Akron, Youngstown and Canton the cities require that the city street repaving or paving department handle all street paving repairs and they bill the cost directly to the telephone company. There is over 65 per cent of the telephone company's conduit located in those cities; and the wage rates in Akron, Youngstown and Canton are about on a pair with those in Cleveland. Now for 65 per cent of the total paving of the company I used the cost to the Ohio Bell Telephone Company as judged by the city of Cleveland in 1925 or thereabouts. There was little change in paving costs in those years.

Q. That is the years 1925 and '26?

A. '26, yes, sir.

Q. Go ahead.

A. In addition to investigating those actual costs I discussed with those in charge of the street repair department of Cleveland the average width of pavement repaved and

the average cost of pavement repaired. I also took into consideration the width of paving repaired over conduit in such cities as Dayton, Springfield, Columbus and Toledo where repaving work had recently been done.

Q. You said that those cities Cleveland, Akron, Youngstown and Canton and the like contain something over 65 per cent of the entire conduit system.

Q. Did you mean 68 per cent?

A. Why as a matter of fact it is over 68 per cent.

Q. Yes.

A. But in making my set-up I had used 65 and I didn't change it.

[fol. 4992] Q. In addition to taking into consideration those costs to which you have just testified, that is those specific costs, what other costs did you take into consideration in arriving at the costs shown in your Exhibit No. 3?

A. For the remaining 35 per cent of my paving costs I used the costs of paving over conduit in such cities as Toledo, Columbus, Springfield and Dayton as of June, 1925.

Q. Well, did you take into consideration also your general knowledge of paving costs as of June, 1925?

A. Yes, sir.

Q. In general what have you to say in respect to Mr. Allensworth's salvage deductions applied by him in finally arriving at his pavement costs?

A. In the first place I have already testified that in the case of 65 per cent of the company's conduit the repaving would be done by the city's paving department and charged to the company. Now those charges to the telephone company would be net, and, of course, there can be no deductions from those charges for salvage.

Q. What about the other 35 per cent of the company's paving?

A. The remainder of the paving would be done partly by smaller cities and partly by contractors just as it is done now. Their price to the telephone company would be net, so that again the element of salvage would not enter into the consideration.

Chairman McCulloch: May I ask a question? In the case of those payments to the cities under the bills that counsel has in his hand there, when they were paid were they charged to operating expense?

Mr. Burr: No.

Chairman McCulloch: Suppose this year, 1927, you had [fol. 4993] maybe we would say $5000.00 worth of those kind of bills; where were they charged; what happened to them?

Mr. Burr: They would be charged to the job, and would go to the capital account of the company.

Chairman McCulloch: Which means they would be charged to operating expenses.

Mr. Burr: No. They would go into the capital account, construction account.

Chairman McCulloch: Well, I don't get that straight in my mind.

Mr. Thompson: If the Commission please, they would first be charged to the particular estimate or job, and that is construction work in progress; then when completed they would go into the capital account of the company.

Chairman McCulloch: For betterments and improvements?

Mr. Thompson: Exactly so; wouldn't be charged to operating expenses.

Mr. Burr: You see this is not a repair, Your Honor. This is where the company cuts the street, installs the conduit and then has to furnish paving over the conduit.

Chairman McCulloch: So that that goes into the general expense of making that betterment, that improvement?

Mr. Burr: Not the general expense, but the direct expense of that particular job. I think we mean the same thing.

Chairman McCulloch: Yes, I mean the total cost of that particular thing.

Mr. Thompson: But I think, Mr. Chairman, that there would be no chance under the uniform system of accounts applicable to telephone companies that that would be [fol. 4994] charged to operating expenses as maintenance or otherwise.

Chairman McCulloch: It is not looked upon as repairs. Are repairs all charged to operating expenses?

Mr. Burr: Yes.

Chairman McCulloch: It certainly would not be as an improvement or a betterment or extension.

Mr. Burr: What, this paving?

Chairman McCulloch: I didn't say that——

Mr. Burr: Oh, I quite agree with you; and expense that should appear in that way.

Chairman McCulloch: I might add one more thing. Then, of course, that would be charged in this general valuation

to extensions and betterments, wouldn't it; in other words, that would be included as an extension and a betterment, is that right?

Mr. Burr: Yes, I think I understand you. Of course, when the conduit is laid and the company provides a paving over it, whether by having it constructed by a contractor or having it constructed by the city, that results in an advance by the company of a strip of pavement in connection with a new conduit construction, and that strip of pavement it had to furnish as a part of that conduit construction, and, of course, to that extent it would be an improvement.

Chairman McCulloch: And, of course, that feature of it is in that part of your valuation which includes your betterments, extensions and improvements.

Mr. Burr: As they go along from year to year?

Chairman McCulloch: Yes. Now, what you are trying to do is use those as a basis for reconstructing a value apply-
[fol. 4995] ing to all paving; that is what you are trying to do, aren't you? You are saying that you are entitled to a valuation and a fair return upon a fair value of your property, and in that fair value you are including the paving over conduits and all that sort of thing?

Mr. Burr: Yes; right.

Mr. Thompson: Actually constructed by the Ohio Bell.

Mr. Burr: But only the paving which we actually laid over conduit, and not all the paving that existed as of June 30th, 1925. For example if we put in conduit where there was no paving, but where there is now paving construction by the city, we are not claiming for that. That is, we have the figures in on that, but we have the figures in on the paving actually cut, and Mr. Hogan's testimony relates only to the paving actually cut by the company.

Chairman McCulloch: All right, are you ready to proceed?

By Mr. Burr:

Q. Apart from the fact that the paving would not be done by the company except to a limited amount, and therefore as you say the paving costs to the company would be a net cost instead of a cost less credit for the salvage, have you examined Mr. Allensworth's Exhibit showing the deduction for salvaged material made in his saving cost calculation?

A. Yes, sir.

Q. Whoever would do the repaving, what have you to say as to the reasonableness of such salvage as $1.72 per square yard in the case of asphalt block on concrete; $1.19 per square yard in the case of brick on sand, brick on concrete, brick on crushed stone, gravel or slag, brick on sand, brick on stone on concrete, brick on stone on sand, brick on wood [fol. 4996] block on concrete; 93 cents and 20 cents per yard in the case of cobblestone on sand and in the case of grass respectively; $1.72 per square yard in the case of stone on sand and stone on cinders; and $1.34 per square yard in the case of wood block on concrete, wood block on sand and wood block on tarvia. I think I have correctly quoted the record.

A. I never experienced any salvage value such as Mr. Allensworth has used, and they seem entirely too high to me.

Q. Why?

A. Well, you take asphalt, asphalt block, tarvia, macadam, concrete, sand, brick laid up with cemented joints, stone block laid up with cemented joints, with the relationship between labor and materials as of 1915 there was no economy in trying to salvage them; they are usually discarded as they are taken up. Now in order to salvage you have to take into consideration several items; you have to take into consideration the care with which they have to be taken out in order to be salvaged, which m-y in a great many cases cost more than the salvage value of the material you are taking out. You have to take into consideration the storing of this salvaged material and the cleaning of this salvaged material. You have — take into consideration the possibility of not being allowed to reuse it on account of it being chipped; and in general people handling that kind of work don't make any attempt to salvage any of those classes of paving that I have mentioned.

Q. What kind of paving materials are salvaged according to your experience?

A. Flag-stones are generally removed and replaced after the conduit has been laid. They develop about 20 or 25 per cent in cracks as you take them up, and those, of course, have to be replaced. Stone blocks laid up with tarred [fol. 4997] joints; I would say the average salvage on those is about 60 per cent. Bricks laid up with tarred joints, I would say would have an average salvage value of about 40 per cent.

Q. That is of the material?

A. Yes, sir, of the material; that is, of the cost of the bricks. That would mean 40 per cent of the bricks are salvaged, and 60 per cent of the stone blocks are salvaged; that is, where they are laid up with torrid joints.

Q. Referring to Mr. Allensworth's net salvage of $1.19 per square yard in the case of brick paving——

Commissioner Geiger: Does that appear in your Exhibit?

Mr. Burr: No, those are in the cross examination exhibits, Your Honor.

(Question read.)

Q. (Continuing.) What was the cost new of such brick per square yard in June, 1925?

A. Paving brick at that time would range between $1.20 and $1.50 per square yard or an average of about $1.35.

Q. What amount must be added to Mr. Allensworth's $1.19 to cover the cost of cleaning?

A. Why according to his testimony about 33 cents added to the cost of the $1.19 salvage would bring it to $1.52 gross salvage.

Q. Per square?

A. Per square yard of brick.

Q. And the 33 cents is also per square yard of brick?

A. Yes, sir.

Q. And what does it make the total gross salvage?

A. $1.52.

Q. That is to say more than the first cost of the bricks?

A. Yes, sir.

Q. Is that repaving done under the supervision of city [fol. 4998] inspectors?

A. Yes, sir.

Q. With what effect?

A. Why their inspection is very rigid and tends to keep down the amount of salvaged material which may be reused.

Q. In reproducing conduit under flagstone or concrete sidewalks what is required as a rule?

A. The entire width of the sidewalk is removed and later replaced.

Q. What about flagstone or concrete driveways?

A. The same rule applies there.

Q. What average width of trench have you used——

By Commissioner Geiger:

Q. Now, just wait a minute. You say a driveway must be taken up and relaid?

A. Yes, sir.

Q. Isn't it almost the universal custom to tunnel under a driveway and leave it stand?

A. No, sir.

Q. That is the way they do in our town.

A. They do occasionally. It depends on the attitude of the property owner, and how the city inspector tries to comply with the property owner's wishes. We are handling a job right now in Cleveland that one of the requirements was that all driveways and all sidewalks must be taken up.

Commissioner Geiger: That is all. You needn't go any further.

By Mr. Burr:

Q. In your paving costs what average width of trench have you used?

A. I used an average width of 24 inches for the average size of main conduit.

Q. Why?

A. The conduit structure of seven duct tile which is the average of all your main conduit would measure 21 inches deep; that is, there would be four inches for the concrete base, four and a half inches for the three duct tile laid on [fol. 4999] the concrete base, nine inches for the four duct multiple tile laid on the top of the three, three inches for the concrete slab on top, and a half inch for the cemented joints between the two pieces of tile, making a total of 21 inches. Now then, I have allowed thirty inches for the depth of cover, that is from the street down to the top of the conduit structure. That would give me a total of 51 inches, and a trench 51 inches in depth requires a working base or width for the workmen of at lease 24 inches.

Q. What will you say as to Mr. Allensworth's average width of repaving over main trench?

A. Mr. Allensworth's average width of main trench as shown in his cross examination exhibit No. 11 is 19 inches. The average width would in my judgment be 24 inches and that is the width of pavement which would be removed. When the pavement is permanently replaced, however, the existing pavement is usually cut back six inches or more on

each — of the trench so that the new pavement will be laid on undisturbed earth; and at a width of three feet or five inches more than Mr. Allensworth. I have measured many widths of——

Q. That is that Mr. Allensworth used or claimed to have used?

A. Well, Mr. Allensworth used 19 inches for the width of his trench and I have used 24 inches for the width of the trench. There is five inches difference between Mr. Allensworth's width of trench and mine.

Q. Right, go ahead.

A. I have measured many widths of replaced pavement over 24 inch width of trench and found that they measured over 36 inches in width; that is, the replaced pavement was over 36 inches in width.

Q. Notwithstanding the 36 inches to which you have just [fol. 5000] testified, what width of pavement did you use in arriving at the paving cost to which you have testified in this case?

A. In setting up my pavement costs I used the same width of trench or the width of repaving that the telephone company used.

Q. Yes.

A. That is, 23 inches over main line conduit and 19 inches over subsidiary.

Q. Notwithstanding the average width of the trench would be in your judgment 24 inches?

A. The average width of the trench in my judgment would be 24 inches, and I don't know how they could get 23 inches of pavement to cover a 24 inch width of trench.

Q. Have you read the portion of the record wherein Mr. Allensworth purports to have used a paving width of 30 inches over main trench in arriving at his paving costs?

A. Yes, sir.

Q. Have you checked Mr. Allensworth's cross examination exhibits to determine whether he used the same number of square yards of paving as the company used in its appraisal?

A. Yes, sir. He used the same yardage as the telephone company did.

Q. As a matter of fact then has Mr. Allensworth used a paving width over main trench of 23 inches instead of 30?

A. Yes, sir.

Q. Now, as I understand it, your paving costs have been computed upon the basis of pavement actually cut by the Ohio Bell Telephone Company at the time of installation of the conduit and not on the basis of all pavement which would have to be cut in the event of the reproduction of the property as of June 30, 1925?

A. That is correct.

Q. Do your conduit, manhole and paving costs to which you have testified include or make any allowance for the cost [fol. 5001] of establishing the business of the company or any other part of the going concern value of the company, or the items of working capital or the undisturbed construction expenditures, the latter including inventory omissions, general expense, engineering, taxes during construction, interest during construction and general or administrative expense?

A. No, sir.

Q. In connection with your conduit, manhole and paving costs shown in your Exhibits referred to have you prepared a statement showing the wage rates and performances upon which those costs of yours are based?

A. Yes, sir.

Q. Does the compilation marked Hogan Exhibit No. 4, sheets Nos. 1 to 13 inclusive correctly show those performances and wage rates, including the costs of material used?

A. Yes, sir.

Q. Do sheets 11 to 13 of that Exhibit No. 4 correctly show the costs of materials associated with your conduit, manhole and paving costs already referred to?

A. Yes, sir.

Chairman McCulloch: All right, shoot fast, gentlemen.

Q. How did you arrive at the performances and wage rates contained in that Exhibit?

A. The performances are based on the performances of men working under my direction for a good many years, including work in Ohio. The wage rates are based on the wages paid in Ohio Bell territory as of about June 30th, 1925.

Q. For what kind of work?

A. For the conduit and manhole work.

Q. Have you examined the detailed labor and material conduit cost contained in Mr. Allensworth's cross examination exhibit?

A. Yes, sir, I have.

Q. Will you please discuss some of the specific errors or [fol. 5002] omissions which you have found in them, if any?

A. Mr. Allensworth in his cross examination Exhibit 11, page 24, has erroneously totaled his tile laying labor cost at $21.008 per day. It should be $26.936 per day. The mistake is due to the fact that he neglected to extend the cost of his two tile layers. He extended the cost of one instead of two.

Q. What else?

A. And two tile layers, of course, are required in laying tile, one on each end of the tile. In addition he has omitted one plasterer and one plasterer's helper from his tile laying crew. These men are necessary for such a crew.

Using his labor rate and his performance and correcting for these errors or omissions would increase his tile laying costs by 68 per cent. The correction applies to approximately 18 million duct feet of conduit shown in the company's inventory.

Q. What do you find in respect to his cost for hauling material?

A. Mr. Allensworth's cost for hauling material, cross examination Exhibit 11, page 1 prime, provides for a truck working nine hours per day and four men loading and unloading the truck. Instead of showing payment for the four men for nine hours a day his costs provide that they shall be paid for only six hours out of the nine hours per day for the truck.

Q. Yes.

A. He also used a rate of $2.50 per hour as the rate for a five ton truck and driver. The commercial rate for a five ton truck and driver about that time was $3.00 per hour. Correcting for those two omissions, and paying Mr. Allensworth's laborers a full day's pay instead of six hours out of the nine that they have worked, the cost of hauling tile [fol. 5003] would be increased by 30 per cent and it affects 18 million duct feet of conduit, or approximately 18 million.

Q. What have you to say as to Mr. Allensworth's 27 inches as the depth from the pavement surface down to the top of the conduit structure?

A. In his Exhibit No. 11 page 2 Mr. Allensworth gives seven duct main conduit as the average size in use by the Ohio Bell Telephone Company. On that same page he says that he used 27 inches of cover, that is, the depth from

the street to the top of the conduit structure. He gives 19 inches as the width of trench, and he also gives 44 inches as the total depth of trench. Now the tile structure as I have testified before was seven duct main conduit, it will measure 27 inches in depth; and if he used a 27 inch cover, that is the distance from the surface of the ground to the top of the conduit, his trench would necessarily have to be 48 inches deep.

Q. Instead of what?

A. Instead of 44 inches.

Q. Go ahead.

A. This error of four inches times 19 in excavating applied to 2,374,816 trench feet of main conduit at his labor cost or labor price of $.04138 per cubic foot for excavating would increase his appraisal by a great many thousands of dollars.

Q. And how much would it increase his excavating, do you know, in per cent.?

A. It would increase his excavating in per cent by about nine per cent, and his backfill by about 17 per cent.

Q. Go ahead.

A. On the same page he gives——

Commissioner Geiger: Why would it increase his backfill?

Mr. Calland: Cheaper trench.

[fol. 5004] Commissioner Geiger: It might increase the amount to be hauled away, but I can't see how it would increase the backfill.

The Witness: By placing your conduit, if you don't change the size of your structure, by changing it one foot deeper than you would otherwise you don't affect the amount of material to be hauled away, but you do affect the amount of material required for backfill.

By Commissioner Geiger:

Q. Well, I don't get that. You dig your trench deeper and you fill it up with tile. Is the surface of the tile the same as he estimated it to be?

A. Well, he said that his cover is 27 inches and he said that his total depth was 44. Now someone of them has to be wrong.

Q. As I understand it your position is he didn't leave enough for the tile itself?

A. Well, his tile is 21 inches.

Q. The same as you estimated it to be?

A. Yes, sir; and whatever you might do with the cover you can't change the tile; that is, the tile and the tile structure would still be the same.

Commissioner Geiger: All right, go ahead.

The Witness: On the same page he gives 1.9 cubic feet of earth per trench foot displaced by conduit structure which has to be loaded and hauled away. This is the amount of solid earth displaced by tile structure. Solid earth becomes loose earth when it is thrown out of the excavation and increases on the average of about 50 per cent in bulk or volume. Correcting this error and applying it to——

Commissioner Geiger: Won't you ask leave to introduce this as to what he would testify to and put it on the record? [fol. 5005] Mr. Burr: Well, I would rather not do that.

Commissioner Geiger: He is just reading it off of his manuscript.

Mr. Burr: Sometimes he does; but there is a great deal in his testimony that is not.

Commissioner Geiger: Whatever he reads take leave to file, unless you want it for cross examination.

Mr. Herbert: Well, if a copy of the record is available at the next hearing.

Commissioner Geiger: Well, I beg pardon; that is only a suggestion. Go ahead.

By Mr. Burr:

Q. Will you proceed?

The Witness: Correcting for this error and applying it to 2,374,816 trench feet of main conduit, that would increase his appraisal by 50 per cent for that class of work?

Q. What average depth of cover does Mr. Allensworth claim to have used in his conduit costs?

A. 27 inches.

Q. And what depth of covering have you used in your conduit costs?

A. 30.

Q. Tell the Commission why.

A. As I testified before an average size conduit would be seven duct; the average height of a seven duct conduit

structure would be 27 inches. With a 30 inch cover it would require a trench 51 inches in depth. Now I have seen a great many sections of conduit of the Ohio Bell Telephone Company exposed in Toledo, Cleveland and Columbus and various other places, and in all cases the depth of trench or depth of cover from the surface to the top of the conduit was 30 inches or over. Then you have the service pipes such as water and gas that require further depth; and you [fol. 5006] also have the drop from the sections into the manholes at each end for drainage purposes.

The standard specifications for telephone conduit construction gives 24 inches as the minimum depth of cover for main line conduit, and I have seen very few cases where the minimum even at the center point of a section was obtained.

Q. How much of a depth must there be to the manhole?

A. Well, you take on a section of seven duct tile, on a 272 foot average section such as used in this, the minimum coverage at the manhole would be about 21 inches.

Q. What must be the minimum coverage under sidewalks?

A. The minimum coverage under sidewalks is usually 30 inches.

Q. And in streets where there is heavy traffic?

A. That is usually 30 inches.

Q. I think you have also said that it is 30 inches usually where there are gas pipes and other obstructions?

A. Yes, sir.

Q. What about conduit laid previous to grading the streets?

A. Where conduit is laid previous to the grading of the streets and the exact grade is not known it is customary to lay it at a greater depth so that if there are slight changes in the grade the conduit will not be uncovered.

Q. Can you give the Commission a few examples of recent conduit construction having an average cover depth of thirty inches or more?

A. On a job done recently in Burkhardt Street in Dayton in the neighborhood of Overlook Avenue the average depth of cover was eight feet. On a job done on Dunedin Road, Columbus, between High Street and Indianola the minimum cover was 36 inches and the average, of course, much higher than that. On a job done on Taylor Avenue in Columbus with which I was familiar, for about two

[fol. 5007] to two and a half miles, the minimum cover there was 30 inches.

By Commissioner Geiger:

Q. Were these done since June, 1925?

A. These were done within the past year and a half.

Commissioner Geiger: How are they competent?

Mr. Calland: I don't know.

Mr. Burr: Oh, the conditions haven't changed.

Commissioner Geiger: Don't let us get more in the record—we look for a sufficient record to keep us busy for some time without something that hasn't anything to do with the case.

Mr. Burr: Well, of course, the average depth Your Honors would be the same today as it was two years ago. That doesn't reflect on the cost or on the price, but what he is testifying now is to the depth of the cover over the conduit structure, and what he has seen in the way of that kind of work.

Commissioner Geiger: Well, of course, that would refer to a special case, and would have to be applied to the entire thing to be of any benefit. It is something entirely useless as far as this member of the court is concerned.

Mr. Burr: Very well. I was going to call attention to the fact for example in Springfield there was a mile and a half that had an average cover of three and a half feet and some other instances, but if the Commission——

Commissioner Geiger: Go ahead.

Mr. Burr: But we will pass that.

Commissioner Geiger: Put it in in Springfield. That might be a matter of enlightenment.

Mr. Burr: Will the Commission consider me as having testified to that effect? Will counsel permit me——

[fol. 5008] Mr. Calland: If you will ask him for a few places where it is less than 30 I would appreciate it, too.

Mr. Burr: Well, you ask him that.

Mr. Calland: I will when I get a chance.

Q. Do you know of any instance of city construction of conduit in recent years where the average cover has been as low as 27 inches?

A. No, sir—or 24 inches.

Q. 24 inches?

A. No, sir.

Q. As a matter of fact does Mr. Allensworth's cover equal 27 inches?

A. I would say not; that is, when you deduct 21 inches for the depth of his tile structure from 44 inches it leaves 23 inches for cover.

Q. Yes. As further explaining the differences between your conduit unit costs and those of Mr. Allensworth, as shown in your comparison sheets, please compare Mr. Allensworth's performances with those upon which your costs are based?

A. Mr. Allensworth in his cross examination Exhibit No. 11 page 3 and page 6, gives the excavating performance per man per hour of 13½ cubic feet, which in my judgment is more than twice as much as the average performance obtained on that class of work at that time.

Q. How do you arrive at Mr. Allensworth's performance of 13½ cubic feet per man per hour?

A. He uses a common labor rate of $4.50 per day and adding it to his supervision cost of .5272 per day per primary workman. The sum is $5.0272; the latter amount divided by nine gives an hourly rate of pay of .5585. This latter amount divided by his excavation per cubic foot cost of $.04138 equals 13½ cubic feet of excavation per man per hour.

[fol. 5009] Q. In your judgment would it be possible in the reproduction of the conduit system of the Ohio Bell Telephone Company to achieve an average digging performance of 13½ cubic feet per man per hour?

A. No, sir.

Q. Why?

A. My experience has shown that the average performance of workmen on this kind of work has been less than half of the performance allowed by Mr. Allensworth taking into consideration the average soil and weather conditions under which the work has to be performed. In hard clay or clay and gravel I would say three to four cubic feet per man per hour is considered good digging performance. In walks which can be loosened with a pick I would say from one to two cubic feet per man per hour is good performance. As against Mr. Allensworth's digging cost of .04138 per cubic foot of excavation such contractors as have installed conduit for the Ohio Bell Telephone Company back as far as 1924 have used in their bids a price of 10 to 15 cents per cubic foot for extra excavation of dirt.

[redacted] direct labor cost?

A. [redacted] about ten cents would be the direct labor cost. [redacted] that they usually bid includes their profit.

[redacted] bid about 50 cents per cubic foot for rock [redacted] that, of course, is inefficient to the regular [redacted] foot. They usually bid a dollar per foot [redacted] tunneling. That is in addition to the regular [redacted] conduit as laid. They also bid about [redacted] foot for quicksand. That in turn is in [redacted] price per trench foot.

[redacted] Mr. Allensworth compares with your [redacted] of ten cents per cubic foot for extra excavation?

A. [redacted]

Q. That will be [redacted] one hundred and thirty eight one thousandths of a cent?

A. Yes, sir.

Q. To what extent does the necessity for sheeting, shoring and pumping of the trenches and the tunneling under obstacles and the like affect the number of cubic feet to be excavated per man per hour?

A. All of these factors have a great deal to do with the amount of work a man can turn out per day or per hour. I would say under fair conditions that a man should be expected to excavate from ten to twelve cubic feet per hour on trench work.

Q. Now, what do you say as to Mr. Allensworth's figure which he has used for his average performance?

A. He has used a figure for his average performance which in my judgment would be better than that which you could expect under ideal performance.

Q. And was it, in your judgment is a liberal estimate of the average excavation performance per man per hour for the construction of the conduit system of the Ohio Bell Telephone Company?

A. I would say that six cubic feet per man per hour including the time consumed by him in sheeting, shoring and pumping water out of the trenches, tunneling under obstacles and the like, and taking into consideration rock, quicksand, that you would do well if you averaged six cubic feet per man per hour in the Ohio Bell territory.

Q. Are your costs based on that figure?

A. Yes, sir.